City Council Budget Work Session Transcript – 4/4/2018

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>> Mayor Adler: All right. We have a quorum. It's April 4th, 2018. We have two special called meetings today, both budget work session meetings. The first one we're convening now. It is the 9:08. We are in the board and commission room here at city hall, April 4th. There's also going to be one this afternoon at 1 o'clock that's going to be over at the central library, so we'll break for lunch and then reconvene at 1:00 over there. I think we're getting the financial forecast this morning, component, and then this afternoon Steve is going to be with us and we'll talk about the strategic planning process and how that overlaps with us. The floor is yours. >> Good morning, mayor, mayor pro tem, members of the council. Very happy to be here today with our financial forecast for fiscal years 2019 to 2023. My name is Ed van eenoo, deputy deputy financial officer, to my left is our deputy budget officer. We'll be walking you through this presentation over the next hour or so and I'll anticipate we'll easily have an hour of questions and answers from council as we go through it. Before I really get rolling, I do want to just pause to thank everybody for all their work that went into this. Today you're going to see about 40 slides. Trust me, there's a lot more work than 40 slides, 40 powerpoint slides that goes into all the numbers that you're going to be looking at. That's not only staff up on the third floor in the budget office who are working on this, this is department directors, city manager, executive team, all the departmental financial staff, a lot, a lot of effort goes into pulling this forecast together for your review. Really even more so this cycle than typically because we're making such a concerted effort

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to change the way we do business as a result of you having adopted a new strategic plan and all that budget alignment work that may have looked easy when we presented it, but trust me, that was -- that was a bear to get all that work done and to really start thinking about our budget through the lens of your strategic outcomes. So thank you to all T people. For today's agenda, this is what it looks like. I'm going to very briefly give you a financial update for fiscal years 2017 and 2018. So 2017 is the year we've just concluded. You know, when we're putting together the budget for fiscal year '18, we're making lots of assumptions about how we think that year is going to end. We're still in the middle of the fiscal year.

We're three-quarters of the way ro it and we don't know everything about now the fiscal year is going to end, so we make some aumptions,nd usuallyth assumption conservative so we end up doing a little bit better. That's the same story this year. I'll get into some of those details. We wanted to also give you six months into this fiscal year, how currely I'mooking in the fiscal year '18 those are both important ca H we ended '17 and how we're doing this year informs our fiscal year '19 and beyond forecast. After that I'll talk about our fy19 timeline. I want to cover corporate cost drivers, things that affect funds, so we like to talk about those in one place, then I'll wrap up talking about the general fund forecast, and Diane is going to walk you through a short forecast presentation for each of our nine enterprise operations. The bulk of the presentation is going to be on the general fund because of course financially that's oftentimes where the bottlenecks exist. We need to have a lot of conversations about that. The forecast presentations are slightly shorter, or quite a bit shorter. I will also say, in your packets we put together a little bit more detailed write-up, say two or three pages per enterprise fund, just to give you a little bit more details and

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narrative. It will largely track everything we're saying here today, but that way, you'll also have it in front of you if you want to consult it later. And then we also have our economic outlook report from txp this year, if you want to look at that as part of your backup. So let's take a look at how we ended fiscal year 2017. Our sales tax -- again, this is not the current fiscal year, this is the fiscal year that ended September 30th of 2017, and now the books are officially closed and we can tell you definitively how we ended that fiscal year. Our sales tax collections ended up 2.9%. 2.9% growth over the prior year, which was a little little bitbelow what we thought. We came about $750,000 short of that sales tax revenue estimate last year. On the other hand, development services revenues just continued to increase. We actually ended the year -- and we had estimated that we were going to end the year quite a bit above budget, and we actually ended the year $2.9 million even above what we estimated. So good news there on the development front. In regards to the expense side, our general fund departments came in at 98.8% of their appropriated budgets being expended. And that's actually a little bit better than what we've seen in recent years. Typically, we've been 99, even 99 1/2% of those budgets being expended. Really, the story I want you to take way here is, these are pretty tight department budgets. These aren't budgets where you're seeing departments end the year with lots and lots of savings, only having spent 95, of the budget, no, no, 99% of their budgets are gone, so they're operating on a very thin -- thin margin. In total, we ended up transferring $15.1 million to our reserves in fiscal year '17. $9 million of that was anticipated in the fiscal year '18 budget that you approved back in October. We actually did $6.1 million better than that. That's the result of

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revenues coming in a little bit higher than what we estimated and department expenditures coming in a little bit lower. So good news there. In total, we ended fiscal year '17 with a reserve level of 13.6%, which is a little bit above our policy level of 12%. Now as you move ahead to fiscal year '18, we estimated in the budget that we would experience 3% growth for '18. We are actually tracking right along with that. Looks like we're going to be able to hit that 3%. But nonetheless, that's a short fall of about $800,000 because figures we assume for '18 are about about the upon numbers of '17. If '17 is short and we're hitting the 3%, '18 is going to be short as well. Even though we're on track with that 3% target, we're estimating our revenue dollars will come in about $800,000 short. In terms of development activity, we are starting to see that level out, level out at an extraordinarily high level, but it's starting to level out now. It's early but we're trying to be conservative. We're estimating we may end the year upwards of $1.5 million below the revenues that we had budgeted, but of course think of that in light of the fact that in fy17, we ended $2.9 million above what we estimated. Development activity is a volatile arena. We're never going to get that fee analysis dialed in perfectly. Some years we're going to be a little high, some years we're going to be a little low, and I think that's what we might be seeing this year. Our franchise fees and traffic fines are currently trending a little bit below budgeted levels. On the labor contracts, as you well know, the two labor contracts we've -- that you've approved for fiscal year '18, the one with fire and the one with ems, both came in below what we had assumed in our fiscal year '18 budget, so there's some savings from that. We also did see some savings from our police department as a result of operating without a contract for three pay periods as a result of the fact that the longevity

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pay is now at the state-defined level, as opposed to the contracted level so lower longevity pay currently, so we're seeing some savings from that contract. We also are making some assumptions. We're still in negotiation with police, so this is a big question mark but we're making assumptions that we're going to see some savings relative to what we budgeted no are our contract for fiscal year '18. It's really to be determined, but we're estimating an aggregate from those labor contracts, we'll save $4.4 million this year. In terms of some unanticipated things on the expense side, you approved the Knox box issue, where we had the challenge with the Knox boxes being compromised, so the fire department is in the process of addressing that. Then also we do have two critical fire station needs to get -- that need to get underway. There's two stations where they have this pier and beam construction. It's old design, and those stations are not currently able, there's engineering reports that they cannot park their equipment in the bays. And so we have these very expensive pumps and ladders being parked out in the elements. They cannot pull into the bays. In one case it's actually blocking pedestrian foot traffic, so it's a pretty urgent issue. So we put $800,000, or assuming we're going to have to put $800,000 this year to get that design work going. That won't fix the issue, but that'll at least be able to get the ball rolling on that. Just to close out this slide, that -- take all that into account, we are projecting for fiscal year '18, we're going to end the year $750,000 to the good with a slight surplus when you take everything into account. And I have to preface that with the fact that we're always conservative right now. Typically, early in the year we learn about unanticipated increases. It's typically not until much later in the year where we start really being able to project potential savings from a department. So I anticipate this is typically the story. We're conservative early. As we get to the budget, those numbers most likely will improve, not a guarantee, but most likely

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will improve, as we get to the year end, improve even further. >> Mayor Adler: Councilmember pool. Do we want to take questions or -- >> Pool: I just had a quick question on the fire fire stations Mr. Van eenoo mentioned. If he could -- is one of them balcones? Can you tell us which the two are? >> I don't know about the one on balcones. One is just north of the UT campus, where the pedestrian traffic is being impacted. I've been out to both of them and I can't remember where the second one is, if it was balcones or not. We can maybe get somebody to answer that while we're running through the presentation. >> Pool: That would be great. Thank you so much. >> Mayor Adler: So do we want to try to get through the presentation before we ask -- I had some questions that I have been marking. >> Pool: Yeah. I have questions too. I'll be happy to wait. >> Mayor Adler: Let's go ahead and wait so we can get through the presentation. Then if there are appropriate places to stop to take questions to that point, flag it; otherwise, we'll wait till you get to the end, then we'll ask questions. >> Yeah. The general flow of this, I'm going to go through corporate cost drivers. Ape there may be a lot of questions after that corporate cost drivers slide, so that might be a natural stopping point in about ten minutes. Then I can move on to the general fund presentation. >> Mayor Adler: Okay. >> Okay. So in regards to your timeline, I'll try to go through this quickly. This looks just the same. I think I might have changed one date, but for the most part, looks just the same as what I presented to you on February 21st. We -- I'm sorry -- yeah, February 21st. February 21st to March 7th, we had those two work sessions to start talking about our budget in terms of your strategic plan, the strategic outcomes, and your strategic performance matrix. That lays the groundwork for what we're going to be doing this afternoon on April 4th. The priority setting for fiscal year '19 and beyond. We have a current budget, it's allocated a certain way, and we really are going to be working this afternoon with you to understand how you would like to see that budget reshaped. That's important because you'll see up here on April 16th, we have this item, distribute instructions to departments on submitting budget proposals. So we've told our

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departments, as you're crafting your base budgets leading up to this folks, expect additional instructions. Once -- once we get past the 4th, we'll take your input and give additional instructions to the departments about how you want to see the fiscal year '19 budget shaped. Once you're done with your work, we'll be compiling information through the city manager's office, then pushing it out to the departments by April 16th. This is happening earlier than we've done it in the past, because to really get your input into the process, the budget -- the proposed budget development process, we need it earlier. Likewise, we also need input from our boards and commissions early yes. So earlier. This past Saturday, we met with the joint committee of the quality of life commissions about how we're going to change the process by which we engage them. I think one of the big take-aways there, a lot of the conversations have been coming at the end of the process, after the budget has largely been put together, and they've been working in, say, a $5 million or so ball field, when council is deliberating on the budget and how you might want to allocate some additional resources. We are committed to getting that process changed where the quality of life work is happening as part of the base budget development, the $1 million fund base budget development. That was a lot of the conversation. There's going to be quality of life meetings over the next couple of months. I've challenged them to get feedback to the city manager and budget staff by may 21st so we have plenty of time to work that information into our project process leading up to a proposed budget coming out to council on August 1st. All right. Let me get into these corporate cost drivers. These are cost drivers that affect all of our city departments. Our enterprise departments, our general fund departments are all affected by these cost drivers and there is no cost driver more important to this financial forecast than what we assume for employee wages. And those wages -- wage assumptions we're making are

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forecasts, really, are informed by market data, so we use this world at work salary budget data that is for the state of Texas, spill, you can see the trends. They've bounced around the 3% range for the last several years. We are expecting that kind of market wage pressure to continue into the future. So that's part of what informs it. Another part of what informs our assumptions is just the current status of our different job classifications, bargaining units compared to the market. You can see for civilians, the market really varies, so there's some positions that we're really having a challenge recruiting right now, particularly a lot of our I.T. Positions. But certainly other positions. I know Austin energy is having a lot of challenges in recruiting people, it's really just to pay issue. If in this economy with unemployment as low as it is, if people can get a higher paying job somewhere else, that's probably what they're going to do. So many of our classifications in the civilian market are below market pay levels, but it really does vary. Not all of them are. In regards to the police department, this is some data that has already come out to council, so it shouldn't be new, but our police officers are 13.6% above number 2 in the market, which is currently Fort Worth, and our fire personnel are 18.6% above number 2 in the market, which is currently Arlington. Those two data points were based upon the pfm compensation analysis that was done in around June of 2017 as part of those labor negotiations. So, you know, the markets continually change. Those numbers may be a little bit different today, but in 2017, those were the numbers we were using as part of our negotiations. Of course ems, we're still in progress in developing hopefully market analysis that everybody will full comfortable with. So we don't have that data yet. So when you look at what we're putting into the forecast, I will say that this is really just for forecast purposes only. It's for discussion purposes

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only. This is not at all baked in any way, and I want the folks out at the negotiating table to understand this in order to do a financial forecast, we have to put some assumptions out there so we all understand what underlies the numbers. And this is what underlies the numbers you're going to see later on in the forecast. But, again, I'd really take this as for discussion purposes only, as opposed to any kind of final deal. The numbers in green are all, you know, subject to that. The numbers in blue are a done deal. So two and a half percent increase for civilians in fiscal year '18, the quarter percent increase for fire, and the one time lump sum of 2.5% for ems, all those are done. You can see for the fire department, the wages that you approved as part of their contract, those are all done. In regards to the civilians, based upon the market position -- >> [Off mic] >> Mayor Adler: Did you have a question? >> Alter: I just had a clarification on the number in the chart so I can understand the chart. The cost drivers for police, fire, and ems, that does not include step pay. >> Does not include step pay. >> Alter: Okay. Thank you. >> Mayor Adler: Okay. Go ahead. >> It also does not include any of the specialty pays. This is just making assumption that for police, since you brought it up, that over the five years of our forecast horizon from fiscal year '19 to fiscal year '23, we're foreclosing here 8% increases in wages and staffing. So we have a resolution from council on this one saying we also want you to look into police staffing needs. There's been a lot of conversations as part of these negotiations trying to find a way to not only address compensation needs but also staffing needs. So we've put that down there as a placeholder, 8% over that five years, to try to address both of those. And of course some of that 8% could go to specialty pays. We don't know what's going to happen at the negotiating table and how that will all shape up, but we're not forecasting any increases in specialty pays in addition to this. It would all have

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to fit within this is our forecast. >> Alter: But if someone was trying to understand this chart, it does not include a lot of other wages that are public safety officers receive, that are effectively cost drivers in the same -- >> Yeah. You surely wouldn't understand the entire compensation package for officers, but we're not assuming any of those things are going to grow. So from a forecast perspective and what's going to be our growth in base costs, we're not assuming those specialty pays are going to increase or change. But we are assuming that wages will change, an that's why we brought them forward here. >> Mayor Adler: And you're assuming that the current step payments continue going forward as they are currently. >> Yes. That's right. And that -- there actually is a cost to that, though. Just the current step system, maintaining the current step system costs us money each year. Those are into the forecast. And I will say, too, that the 8% is a little bit lower than the contract that was brought forward in December. That contract had a 9 1/2% wage increase over five years, and so here we're forecasting 8%. In regards to ems, again just a placeholder, but we're assuming 8% over those five years. And, you know, we really have to see what that market data says. If we had market data, we might be able to come up with a slightly different number than this, higher or lower, we don't know until we have some good market data. But so you know what's behind the dollar numbers you're going to see later in the forecast, we're assuming 8% over five years. Please, not 8% per year, it's 8% over those five years, we don't have a really good way of knowing, you know, how that would be structured. A lot of times these contracts are structured where the higher percentage increases come later in the contract, just like you see for the fire department, but we're not making those assumptions, we're just saying over the five years, we would expect to see an 8% increase. In regards to health insurance, another major cost driver and very good new story here, in fiscal year '18, we had budgeted a 4% increase in health insurance costs, which was already lower than what we

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had been seeing in recent years. I'm very happy to report to you today that our experience for fiscal year '18 has been nothing but positive, particularly in terms of those large claims that we have, our large claims experience is really low this year. And so where we stand now -- and usually, you know, we're trying to be very conservative here, but I'm comfortable having look at at the actuarial numbers, year '19, we'll see no increase in our insurance costs. And then reverting in the years beyond, probably to more of a normal level of about 7%, which is the five-year average of all these other numbers you see up here. Yeah, that's great news. And great for our employees who are doing such a great job of keeping themselves healthy and away from those major health incidences that cost the fund so much money. In regards to a few others here, support services, of course these are the services such as mayor and council, the budget office, payroll, human resources, the law department, these are all services that get allocated to our enterprise and general fund departments. We're projecting a fairly typical 5% growth for those departments. We've not dialed the budget in at all yet. This isn't a budget, it's just a forecast, but we're forecasting growth in the neighborhood of 5%. Contrast -- contrast that to communications and technology management, where we're forecasting 10% growth in those costs, and that's pretty much in line with what we've been seeing for the last many, many years and what we think we're going to see into the future as we increasingly become an I.T. Society and we increasing hill become an I.T. Organization, I think you just need to expect that the base cost of running all that stuff is going to continue to grow, as equipment reaches the end of life, it needs to be replaced. As storage gets filled up, we need to buy more storage. Even cloud based storage, which is cheaper, we're still seeing increases in this year over year costs. I want to stress we're forecasting a 10% growth in communications and technology management functions, just for the base

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cost drivers. Just for the cost to kind of keep our current systems online and working properly. Any new and exciting I.T. Initiatives would have to be over and above that, is what we're forecasting. Fleet is kind of similar to support services. This is the people that keep our vehicular fleet operating and working nicely. 5% increase there. Using data from the U.S. Energy information administration, 4% increase in fuel, then finally there was a resolution from council directing us to incorporate a paid sick leave program for temporary city employees next year, and you can see the costs we're estimating there. I will say this is our educated estimate. Until we actually get that program running and really get a handle on what the utilization is going to be, we won't know, but we said back last time this came up that if there was a 100% usage and 100% backfill by the departments, this could cost $1.4 million. We've been doing analysis, you can see our current cost estimates to do it would be $260,000 in the general fund. Almost all of that for pard, and $480,000 when you look at all of our city funds. And we have tried to refine those numbers to not only reflect what research indicates in terms of the level of usage we should expect, but also working with our departments to say, hey, if somebody uses sick leave, are you going to actually backfill this position or just let it ride? In some places like pard where they're running a lot of lifeguards, we need a lifeguard out that day. If that person calls in circumstances we will backfill. Part is 100% they'll have to backfill, but other departments that are using their temps for different purposes, like Austin energy is projecting, they won't backfill any of them. If somebody is sick, they just won't work that day. We're not going to be able to backfill a position because the skills aren't that transferable. So we've done a lot of work on that. That's our best educated guess at this point in time, but be forewarned it could

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change once we get into the program, better or lower, better or worse. That's the end of our corporate cost drivers. I don't know if there's more questions on the wages, it would make sense to get those cleared now, then I can go into the general fund discussion. >> Mayor Adler: That sounds good. Ann. >> Kitchen: I have a question on page 10 related to the forecast for the growth and cost of fuel. Is that taking into account our plans for transitioning to electric vehicles? >> I'd have -- I don't know if we have anybody from fleet here. I'd have to get with them to get more detailed, how nuanced they're getting with their forecast. Maybe we can do that as our second budget question of the cycle. >> Kitchen: That would be fine. >> More details for how they're forecasting their fuel costs? >> Kitchen: I think that's important because first off, we have a plan right now but it's a very initial plan that I would suggest perhaps needs updating to be more aggressive about, because that's one of the benefits of going to electric vehicles, is the savings in the fuel. So I want to know if that's included there. Then I'll ask one more question. I have several questions but I'll ask one more, then leave it up to others, then you can come back to the mayor. So -- so then, on page 9, a similar question related to the I.T. Initiatives and really the forecast growth and base support budget, I want to know if these -- if these forecasts take into account the efficiencies that we hope to gain from better use of our technology through our smart city initiatives. So it sounds like you may not have that answer now either. >> No. This forecast is just on things that are already in place, and so smart cities initiatives that would -- might save us some money, that's not part of this analysis. >> Kitchen: Well, one thing we have in place right now under the smart city initiative is the paperless project that was kicked off this spring. So one of my questions is, I

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would like to make sure that we're making progress on all of our smart city projects, and the ones that are in place right now, we should expect to see savings. That's maybe over time, but I think that, you know, because are the kinds of things that you make an investment up front, but then you see savings over time. But a budget question, I'd like to see how that's accounted for. Mr. Mayor, I have other questions but I'll turn it over to others. >> Mayor Adler: Okay. A quick question. Page 3, 13.6 of the general fund as opposed to 12%, do you know in absolute dollars what that has for the 12%? >> It would be $6.1 million. An extra 6.1 million, right above it, that's what brought us up to the 13.6%. >> Mayor Adler: Right. $6.1 million -- >> Oh, in terms of the reserves -- >> Mayor Adler: In other words, $1.2 million, I think, put aside for the homeless. >> Yes. >> Mayor Adler: And I want to know if we're more than $1.2 million over the reserve plan. In other words, we took out of the reserves last time and kind of earmarked it for -- >> Yes. >> Mayor Adler: That dropped us, you said, below the 12%. >> Right. >> Mayor Adler: Are we above the 12%? >> We are above the 12%. >> Mayor Adler: Including the 1.2. >>

Including the 1.2. >> Mayor Adler: So we're in excess of 12% by more than 1.2, and my question is, do you know what that number is? >> Well, I still think it's the 6.1, but I'll have to get back to you. >> Mayor Adler: Okay. I just couldn't tell if 6.1 was more money transferred to reserves than we anticipated, so it would be the 6.1 less the 1.2, would be what you would say we were above reserve level. >> I hear what you're saying. I don't have -- it's either -- you're right, it's either 4.9 or 6.1. We're definitely above the 12%.

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I think it's 6.1 we're above 12%, but let me go back and look at our reserve packages. >> Mayor Adler: That sounds good. The sales tax collections on page 4 said we were short 800,000, I missed the comment you said. >> When we project 3% growth for fiscal year '18, we're projecting 3% growth above where we ended 17. So if '17 comes in lower and we're still tracking at 3%, then that 3% for fiscal year '18 is not going to generate as much dollars as 3% growth from a lower base. That's why the 750, and then kind of tracks with the 800. There's -- >> Mayor Adler: Last question I have on page 10, is the 480,000 in paid sick leave costs inclusive of the 260, or separate from the 260? >> It's inclusive. >> Mayor Adler: Thank you. >> 260 general fund, 220 additional for the enterprise. >> Mayor Adler: Thank you. Councilmember pool. >> Pool: Thanks, mayor. On page 7 where you have the 2 1/2% increase for employee wages, are you going to provide us with a couple different options for employee pay rise this year, specifically by 3%? >> We can certainly run any number of scenarios for you to say, hey, council, 3% would cost you this much more, or 2%. We could structure it in different ways. This is what we built into the forecast. >> Pool: Right. >> We would love to get feedback from you in regards to what you think about that so when we craft a budget -- but when we craft a budget, that utilize in and you go, august,we'll just have one number, so any input you can give us today or this afternoon in regards to what you'd like to see with employee wages, or if you want to run some scenarios for us and give us feedback later, that would be great. >> Pool: Where I'm going with this, you also mentioned that some of the classifications are below market. And I know we have a rolling review of all classifications over a time frame. It's three years or every five years? >> I think every three

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years. >> Pool: This cohort is reviewed, and that cohort. So every time we're able to increase our staff's base wage, that helps with the market, but it never quite catches up. >> Right. >> Pool: The policy position that we are taking with regard to our first responders and their contract negotiations is we are trying to compete with our cities in order to -- well, to be competitive. And so that results in their wages being significantly above market. So what I'd like to do is just bearing in mind the gap between what our first responders earn and what our civilian employees earn, it's also expensive for our civilians to live in the city, just as it is for a uniform. And we want them to have the same consideration. I'm not suggesting that we would catch up to that overnight. But I do think it would be useful to start having that as a piece of data so we can feel like if we are going to grant -- approve two and a half percent, what does that do in the long range accumulation of wages, versus 3%, or if we should drop it to 2%, for example. I think with he need to -- for a long time, I've been concerned about the rub between our uniforms and civilian employees as far as wages. Our civilians don't have the ability to earn extra income, really, except for maybe overtime. So I want to bear that in mind and bring that to play when we make these decisions later this year. So to the extent that you can provide us with some nares, then also discuss that gap, that would be useful, at least for me. I expect probably the rest of the dais would appreciate that. And then on page 9 where you're talking about the forecast graph and base support services budget, you mentioned there's a calculation that you do in order to assign the dollar figures to. Then we've been doing that historically for a will long time. Can we see that calculation? Can we see that formula? >> It's a report, not a

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formula. It's pretty lengthy and follows on the circular 87 rules and requirements, it's a very wonky report but I'd be happy to give it to you. >> Pool: Love the wonky report. I think it would be helpful in understanding if we are tapping into that distribution of support services, especially to our enterprise funds because it does unlock some of our ability to help share the cost of running city government, with those departments that otherwise we can't necessarily unlock those funds. Okay. Thanks. >> Mayor Adler: Councilme mbe R alter. >> Alter: Thank you. I want to go back to page 7, please, for the chart with the base wage increases. I just wanted to clarify, so this is the forecast for the base wage increases that you're using for the forecast, not necessarily what will be in the budget, and then for police, fire, and ems, we've only included here the base wages for police and ems. Those may include staffing and other kinds of things since that's not negotiated. But that the forecast, overall, not this chart, does include the numbers for stipends and for step that our public safety officials are receiving. It's just not on this particular chart. >> That's correct. >> Alter: Okay. So if we were trying to assess their increases that they're receiving, we would have to calculate in the step and the stipends for them if we wanted a true picture of what we're providing to our public safety professionals over time. Because going back to what councilmember pool said, our civilian employees do not receive step and they don't receive those stipends, and so it's not fully an apples to apples comparison. But it's what you've put in this chart, is what I wanted to clarify. Okay? >> Yeah. This chart is just about base wages. >> Alter: Okay. >> Not steps or -- yeah.

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>> Alter: And then I was wondering, one of the big cost drivers we had was overtime for fire. Can you tell us a little bit where we came out in the end for the overtime costs for fire and what you're projecting for those moving forward? >> I'll get to that in the general fund section. >> Alter: Okay. That's fine. I wasn't -- >> It's good news, though. It's good news. >> Alter: Good. And then I was wondering how the forecast is accounting for the retirements that we're expecting, because we have a lot of people who will be on the higher end of the wage spectrum who will be retiring, then we have those openings.

Is that something that you accommodate somehow in the forecast? >> No, we're not getting into that level of detail analysis. We take a snapshot, you know, when we run our wage projections, you know, we take a snapshot for fiscal year '18, this is what our current payroll is running at, then we assume how it's going to grow. And so that kind of nuance we're not getting into. >> Alter: And then my last question is, can you explain a little bit more about what impacts the health costs? So are they -- as I understood what you said, it was, we didn't have a lot of claims, which means our workers are doing a good job of keeping themselves healthy, and then that affects our projections for our costs for next year. Are there other elements of that piece? >> Yeah, I mean I'm not the expert on it, but there are a lot of things that go into those actuarial assumptions, including, you know, how old your workforce is, you know, their expected, you know, life-spans, they -- you know, the actuaries are looking at data in regards to what claims experience are. You know, of course if we end up -- they're also trying to then target a certain level of reserve levels because it's, you know, a bit of guesswork

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involved, so they always want to maintain certain reserve in the fund in case they need the additional funds. So I'd say those are kind of the primary things that go into the actuarials, as well as just the experience we're seeing. This year we're saying major claims way down from what we've historically seen. You're talking heart transplant type things, major car accident, where somebody might be in the hospital for six months. Those are things that are hard to predict, and thankfully, we've seen low experience this year in regards to those major claims. So that's what's helping us for the fy19's projections. But we're anticipating this be some type of reversion to the mean in the future, that what we're seeing right now is really unusual. >> Alter: So it's 0% for fiscal year '19, then it goes back to 17 as your forecast, what you're plugging in for your estimate. >> That's right. >> Alter: Okay. Good. Thank you. >> Mayor Adler: Okay. Councilmember kitchen, then the mayor pro tem. >> Kitchen: I have some additional questions related to slide 8. So the 4% that's there on fiscal year '18, so is that the thinking about where we're going to end up? Is that what -- what does the 4% represent? >> The 4% represents the increase included in the budget for fiscal year '18. And then -- >> Kitchen: The bar is higher, so that means that -- >> The bar is current employee dollar contributions. >> Kitchen: Okay. All right. So 4% was what was anticipated from last year to this year. >> Right. >> Kitchen: The year we're in right now. >> Yeah. 4% increase yeah. >> Kitchen: Okay. And then we're appearing that in this year, we're not having increases, and that's why we're going to zero next year? That's just a big -- my

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questions are similar to councilmember alter's. I can put a budget question in, but I'd like to understand better the factors of how we can assume we're going from 4% to 0, then back to 7%. So... >> The main reason we're forecasting 0 this year is because we're seeing -- you know, when we put together the fy18 budget and assume 4% increase in the cost, we're making assumptions, based upon historical trends and age of our workforce, et cetera, what our costs will be in fiscal year '18. Our costs are coming in lower than what we budgeted this year, to the extent that in fiscal year '19, we're not projecting we're going to need any increase in our premiums for fiscal year '19. But that is really being driven by this unusually low experience we're having for major claims. >> Kitchen: Okay. >> We think that's a one-time issue. Hopefully we're wrong and if we're wrong and our major claims stay way low, the future could look a lot different. But we're assuming the major claims are going to come back to more of a traditional level in the future. This is just a one-time good news story. If they come back to a more traditional level, you're going to probably see increases in the range of about 7% per year, which is what our historical trends has been. >> Kitchen: Okay. So that means we're carrying money over. Right? >> Yeah. >> Kitchen: So we're carrying money over from this year that we didn't use to next year, and that's why we think we can be at zero for next year. >> That's right. >> Kitchen: Okay. I also made a budget question, but I'd like a little bit more detail about how much we're carrying over and how that works. >> Okay. >> Kitchen: So -- okay. Then I have a question about -- well, one other question. So does this assume, then, the same amount in terms of the employee contributions? So we're not -- we're not -- because of -- because of the additional dollars that we're going to have, because of reduced usage, reduced

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utilization, and that will help us next year, we're still assuming the same amount in the -- of the employee contribution on their premiums. Right? I would assume we are. >> You're talking about this year? Yeah -- >> Kitchen: For this year. >> Yeah, we're assuming the premiums would stay at their current levels. You can see that on the chart. For fiscal year '18, it's just short of 15,000 per employee. And for fiscal year '19, it's the same. >> Kitchen: Okay. So we're assuming we have some savings because we -- you know, we don't have utilization this year. We're assuming that will help us out last year, but we're keeping the same, our assumptions, in terms of what the premium level is and what our employees will be contributing. >> That's right. >> Kitchen: Right? All right. So let's see, then I have a question on page 4. So we talked about the development activity leveling out, and I think there's some information on the previous slide, too, about revenue ending in the year, 2.9 million. On these -- these dollar amounts related to development activity, if I recall correctly, we did not raise fees at the -- there was a question raised about the cost of fees to -- I think it was primarily to homeowners back during the budget period, so we suspended and didn't -- not suspended but we did not move forward with raising some -- at least some of the fees. So I assume that these numbers account -- I mean that that's part of these. Right? >> Yeah, that would all be in there, any changes to fees or not changes to fees are all part of that estimate. >> Kitchen: Okay. All right. So that means that we're estimating we're going to end the year 2.9 million above, even though we didn't raise our fees higher. >> Well, on page 3, that 2.9 million above is for fiscal year '17. That fiscal year -- >> Kitchen: Oh, previous year, that's right. That's right. I'm sorry. >> We did end up exceeding

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our estimates for fiscal year '17, but in fiscal year '18, we're now trending a little bit below. >> Kitchen: Okay. >> That's just kind of the noise of development activity. You're never going to get it spot on. >> Kitchen: Well, I understand that, but I'm just -- you know, that was a placeholder we left for ourselves at -- when we were in the budget process. We didn't adopt the higher fees, and we were going to come back and have further conversation about it, if I recall correctly. >> Yeah. You didn't adopt the 51 new positions that were proposed. >> Kitchen: Right. >> Yeah. >> Kitchen: Yeah, we didn't adopt the 51 new positions. >> Yeah. There were definitely fee increases, though, that were approved as part of the budget for dsd, they just didn't all go into -- they were changed because of the 51 positions being pulled out, but -- >> Kitchen: Okay. >> -- There still were fee changes that occurred. >> Kitchen: Okay. That's what I'm trying to recall, exactly what we did. >> In a couple slides, you'll see that part of the reason for those fee changes was because our revenues were really overshooting the mark. So as we continually, annually change our fees to try to dial in our fees to the cost versus our permitting volume, we had to make some reductions, actually, in fiscal year '18. >> Kitchen: Okay. So when we get to the forecast, I'll just want to understand if we forecasted without those 51 additional, so -- because we didn't approve them, so -- >> We're not forecasting them at this point in time. >> Kitchen: Okay. >> But even if we did forecast them, they'd be dollar for dollar offset by changes in revenues. We wouldn't forecast them as a general fund impact at this point in time. >> Kitchen: Well, that's an item for further discussion. >> Sure. Sure. >> Kitchen: I have concerns about making all this enterprise funds, and I think that we should have a conversation as a body about what we end up with in terms of enterprise funds and what we don't because that impacts what goes back and forth between the general fund and the enterprise funds. So that would be an item we could park for a conversation at some point. But I don't want us to just assume certain things are going to be enterprise

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funds, then we end up locking ourselves down in terms of our ability to use certain funds for -- because of the way they impact the rest of the city. So -- okay. Then my last question is on -- you know, we had a conversation a minute ago about the 6.1 million in reserves, so -- but I think you answered my question. I was thinking it was -- that's from 2017, not from 2018. Okay. So the amount of dollars that we reserved during the budget last year for public safety is not reflected in that 6.1. >> I'm trying to follow what the reserves -- >> Kitchen: Okay. When we were doing our budget last year -- I'm probably not using the right terms. When we did our budget last year, you know, we talked about -- we set aside a certain amount of dollars that we anticipated we might need for our public safety contracts. >> Sure. Yeah. >> Kitchen: At that time we indicated we would come back at some point and do a budget amendment process. But that's not -- that's not the 6.1 million. The 6.1 million is just additional dollars that we didn't anticipate that we would have -- >> Right. >> Kitchen: -- Available. >> Right. In terms of what we're appearing in the fiscal year '18 budget, we're anticipating 4.4-million-dollar -- >> Kitchen: Yes. >> -- Of projected savings from our labor contracts in aggregate, and that really is a guess at this point because we're still actively negotiating with our largest bargaining unit, the Austin police association. >> Kitchen: Okay. Thank you. >> Mayor Adler: [Indiscern ib LE] Then Mr. Flannigan. >> Tovo: Back to page 7, two quick questions on page 7, I want to circle back for just one second, councilmember kitchen, your question about

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the development services is important because we were projecting -- we were asked to approve how many new positions? You just said it but I've forgotten, was it in the 40 or -- >> 51. >> Tovo: 51. We did not, and we held back on that for further discussion, now it sounds like, if I understood you correctly, development services is trending down, so that may have been appropriate, given sort of how -- not moving ahead -- had we moved ahead with all of those positions, though they would have been covered by an offset by the fees, if development activity slows down, we have all those employees on the books and we are faced with a hard choice of either letting them go or carrying them and supplementing those with non-fees. So anyway, just reflecting back on that request and our action, and it certainly bears more discussion as we move forward if there are requests for increased staff. But it seems like we may be at the appropriate level of staffing in that division. >> I think it depends on the level of performance you want to see as a council, so I do recall that director Gonzalez -- the additional 51, he was projecting, were needed to get his performance measures up to keep pace with the current level. And so, you know, we're projecting that this high level of permit volume is leveling off, and again, back in the budget, the director was projecting 51 positions are needed to keep pace with the current level of involve and to meet the various performance objectives, turn around times that council and the development community might be expecting. So there may be a -- >> Kitchen: Yeah. I get that. That was part of the conversation we had. We had added staff several previous years to improve performance. >> Yep. >> Tovo: We can have more conversations about that as we move to the budget. On page 7, in answer to

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councilmember alter, you clarified that these -- the numbers for AFD and A.P.D. Do not include step and stipend costs. Do they include the longevity pay that our city -- that our civilian employees receive? Because that is somewhat akin to -- I mean maybe not in scale, but those are similar kinds of payments. >> Yeah. So this is all just about base wages. When we get into the general fund and I talk about cost drivers, we kind of lump it all together, but you'll see one line item where we're talking about how much we think our wages overall are going to grow. And those are include base wages, step pays. >> Tovo: Okay. >> The longevity pay for civilians, but on those stipends, we're not forecasting any increases in the stipends, so, you know, we're not forecasting in increases. A lot of this forecast is about how our base costs are going to grow over time. >> Tovo: Sure. I just wanted to be clear because I thought -- I thought I heard a comment about apples an Oranges, and I think in terms of -- in terms of stipends, longevity pay, step pay, those are all equally out of the chart on 7 for our civilian and our sworn officers. Is that -- >> That's correct. >> Tovo: I wanted to verify that. Thank you. And then the market analysis, in terms of -- and I'm sorry, I'm sure you've answered this question probably a dozen times over the last year, but I'm just now remembering, when you present us with information like police are 13.6% above the number 2 force, do those scale for cost of living differences in those different cities? >> No. >> Tovo:

Have we been presented with that information? >> Not that I can recall. I don't know -- no. I'm seeing heads shake. No, we've not presented cost of living comparative analysis between Fort Worth and Austin. I'm fairly comfortable to say it costs more to live here than in Fort Worth.

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Mark Washington who's lived in both places could probably at test to it. >> It is more expensive here. We've not done that in the context of public safety. I think when we discussed other appointees of council we shared that deriving analysis, but in terms of public safety employees, it's just a raw compensation data. >> Tovo: I think it might be useful. And of course I'm familiar with our doing it for our council appointees and some of the other appointments. I think it would -- I think that would be useful information to have for us, as we look at our -- all of our employee salaries, civilians as well as sworn officers. So it would be useful to see that in context with these percentages. >> We can do that. As I recall now, in general, we showed different compensation factors around cost of living for the area, but we've never adjusted the market comparisons based on those. So we can take a look at that. >> Mayor Adler: Mr. Flanniga N. >> Flannigan: A number of things. I'll work backwards. The cost of living numbers I think are interesting, but it should also trigger a conversation about how we can make it cheaper to live here. Not just pay our employees more. So that's, I think, a longer conversation that will be really valuable for us to have. Councilmember kitchen, you talked about the increase in I.T. Costs and where we might see savings. And I think it's more likely that you see an increase in productivity over time, as opposed to an actual budget line item that shows a number went down. So as the city grows, you get more done with the same number of people. I don't then that we want to be in a place where we're putting money in I.T. So we can fire people in other departments. You might see an actual cost savings. I don't think that's what we're looking for. I also would love to have a longer conversation about the enterprise definition of development services. I think the fact that their fees effectively make them

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restricted as an enterprise fund, but we're kind of mixing our terminology here because you couldn't take those fees and spend them on other things because they're fees and not other things. It's more a question of do we put property taxes into development services and what impact might that have. But if there's a longer conversation to be had about where you can spend the fees money, that's an interesting one. But I don't know that we ever actually reached full cost recovery. Ed, can you -- did we reach full cost recovery in development services? >> We are recovering all eligible costs so there still is a tax subsidy to development services, and even if they were to be stood up as a stand-alone enterprise, we would need to maintain that subsidy because there are certain things they're doing that can't be recovered. So when council waives fees for a variety of reasons, if you waive a fee, we can't just take that lost revenue and say, well, we'll bump up the fees on other people. We just have to eat that out of our general fund. And that's about three and a half million dollars. But short of you changing policies on fee waivers and other things, those are costs that we can't recover through our fee structure. But everything else is in there, including administrative overhead. >> And when you see the difference between slides 3 and 4 about revenue from development services, that's compared to what had been budgeted. That's not that the revenue from development services went down. Development services revenue still went up, just a little slower than we thought it would go up. >> Yeah, except in fiscal year '18, we were projecting it to come down from fiscal year '17 because our fee structure at the time was over collecting revenues, so we needed to make an adjustment. So we are actually -- we did budget less revenue in '18 than we did -- than what we -- well, budget to budget is different than actual to budget. >> Flannigan: Yeah. >> So budget to budget, I anticipate that we actually did project an increase in '18 from '17, but the equals from '17 came in so high that what we're budgeting for '18 is actually lower than that. You know, it's just a story,

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again, of we're continually trying to adjust to keep somewhat unpredictable costs in line with highly unpredictable permit volume. >> Flannigan: And given the context of fee changes, is it fair to say that changes in revenue equal a change in activity? Because if we lowered some fees, activity may still be high. >> Yes. It's largely driven by I activity, but we can see permit volume grow, we would add more staff to address that, so costs and revenue would go up and fees would stay the same. Fees only need to increase when actual cost structure, cost of employees, time it takes to do a permit because of some code change, when that cost structure goes up, fees need to go up. Not necessarily just because of increased volume, you would just add staff to increase increase volume and costs and expenditures stay in line. >> Flannigan: That's the conversation I'd like to have about development services. In a lot of other services, they think about how it's growing because the cost of doing business as a city is difficult to maintain on the backs of single-family homeowners. We have to have a broader tax base than that and development services is how you get that tax base. So I'm more willing to have that kind of trade-offs conversation in a better economic analysis of what development does so that we understand -- we often talk about development as it's a negative. But it's not because if I can actually generate more tax revenues over -- and distribute that cost over more people, then actually my tax bills can go down if I do it in a smart way. And that's the kind of longer analysis I'd like about development services. You're jumping at the gun, Ann. >> Kitchen: Well, finish. >> Flannigan: No, that's the end of my -- >> Kitchen: I'd just like to comment -- >> Flannigan: Sorry, mayor. >> Kitchen: I don't think you are, but basically, I think -- I flagged it as a conversation because there's a lot of nuances to it, and

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there are policy decisions that we make that go all the way from whether or not we tag something as an enterprise fund, or not tag, but whether we identify it as an enterprise fund, what assumptions go into the fees that we set, and what assumptions or decisions remained about how that impacts the rest of the general fund. That's the kind of conversation I want to have. I wasn't complying -- and I don't think you were saying that, but I wasn't implying one way or another whether I thought development was good or bad. All I'm trying to say -- and I also wasn't talking about just development in terms of the enterprise funds. Because, you know, the bigger, broader policy question at a much higher level is just, you know, a lot of those services that we provide as a city, we're -- I don't want to be in a position where we're starving them because -- because all of our ability to raise dollars is stuck in the enterprise funds and we can only put them in certain places. Now, I understand that there's a lot of legal parameters around how we do enterprise funds and what we can charge for fees and all those kinds of things. It's just that I don't know that we've ever really had that policy conversation. And that's what I'm looking for, is that policy conversation. >> Yeah. And do not take what I said as trying to interpret what you said. >> Kitchen: Okay. >> I was cutting my own comments to something you sparked in my mind, so I was not trying to reinterpret what you said. >> Mayor Adler: Before you move to the next topic, on that topic, because you kind of opened it up, I think having that broader conversation is real important because we started that conversation, then we stopped. As I recall, councilmember Garza raised the issue of do we need all those people in order to be able to drive that work, and what does that do for fees for folks that far trying to work on their homes and that kind of thing. And we kind of put it in abayance and asked Rodney to

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come back to us as far as fee culture and what we can do. We got at least one memo back from Rodney at one point that said he was trying to meet the goals but was using overtime and didn't need the additional ftes, but that kind of begs the question, if what we're doing now is, we're not adding new people, but we're just having people who are there now having to work significantly greater overtime. So I think there are lots of elements to this question, and probably something that needs to come up is a discrete conversation outside of -- when it comes up in the budget and suddenly we find ourselves being asked to make these kinds of things, probably should build in the time to of a bigger, broader, more holistic conversation about that department and fees and income. Further comments on this part of the topic before we go back to Mr. Flannigan and ask him so we can finish his list? Yes. >> Tovo: I just wanted to clarify, because we were talking about fees, I just want to clarify that it's my understanding that while we have legal restrictions for how to structure those fees, we don't have legal restrictions for how to use the revenue generated by those fees with the exception of our utilities. So -- I mean we have fees generated by development services, but the revenue coming back to us, does it go elsewhere? >> The fees the city collects, there needs to be a nexus between the fee collected and the service provided so there is a direct relationship. And I think this is a good topic to have as a conversation at a work session or something else to really flush that out. >> Mayor Adler: Okay. On this issue? Mr. Flannigan. >> Flannigan: Okay. Last thing. I would like a separate -- separate information about the study on civilian wages and understanding what this overall base wage increase

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does compared to different departments' managerial needs. So I talked to some of my friends in other surrounding communities that are having problems recruiting the next generation of people in public works or whatever those departments are, and it would be better for me, I think, to understand how those -- what departments are facing those struggles, where a general base wage increase solves that problem, where it doesn't. I mean, I can imagine that the I.T. Industry is one that's going to be difficult for us to recruit talent unless we're paying a pretty high wage, and there's going to be a difference between our civilian departments that are more of a direct analogue to private sector jobs, versus sworn staff, it makes more sense we're comparing municipality to municipality. I don't know how to get that information in a way that doesn't completely take over my whole life, but I would like to know a little bit more about that specifically around managerial objectives that we're trying to accomplish. >> Mayor Adler: Okay. Ms. Garza. >> Garza: I just wanted to chime in on the slide 7, and this has happened in the past where -- and I understand the desire to compare our public safety staff to the rest of our staff and the desire to make it an apples to apples comparison. But I also -- aside from the point the mayor pro tem made, that there is longevity pay for civilians that is not included in this, the other thing that makes it -- could never be an apples to apples comparison is the bargaining rights that public safety has. And those are different for fire, for example, because -- and that was a voter referendum. The voters approved that the fire have collective bargaining. Police didn't have that.

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I believe they could, if they wanted to try to get that, but they don't. So, you know, in addition to understanding the cost of living difference between Austin and Fort Worth, I don't know if Fort Worth has collective bargaining rights. That's a difference in pay. I don't know what other fire -- I don't know what other cities have with regards to their bargaining rights. So, you know, whether you believe it's right or wrong, that is dictated by state law. State law allows fire and police to have different bargaining rights thank our local -- I mean the rest of our staff. So I understand the desire to make it apples to apples, but it's almost impossible to do that when you're comparing a workforce that has stronger bargaining rights, to a workforce that unfortunately doesn't, but that is the fact. >> Mayor Adler: Ready to move on? Please proceed. >> One thing, I just wanted to comment in regards to councilmember Flannigan's -- the point he raised, is just these are averages. I know you know that, but when we're saying two and a half percent, we're just assuming that that will be the average increase over those five years. That does not necessarily mean that every single employee in the city would get a two and a half percent raise, depending on market analysis and some of the things you talked about, it may well be that certain classifications end up getting more than that, and certain ones -- certain classifications end up getting less. But somewhere within that two and a half percent, all that would have to fit. And so -- and I think we'll be able to get you more information in regards to, you know, future market studies we may be having, but, you know, we don't -- depending upon what those market studies may be, you know, it may be that, oh, you know, we're going to do a 2% base wage increase, a general wage increase, and with that other half percent, we want to address specific management objectives. It doesn't have to be an across the board two and a half percent. So I didn't want to leave you thinking that's necessarily -- or the

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employees thinking necessarily that that's what that means. It's dollar amount placeholder that we use for our forecast discussion purposes. >> Flannigan: And that level of detail would be really helpful because I don't want the public to think that that's what that percentage represents. >> Sure. >> Flannigan: And there's certainly confusion in the community about what those numbers mean. So even one level of detail further I think would help the community understand where these wage increases are coming from, and why. >> Mayor Adler: Okay. >> So let's take a look at our general fund projection. >> Mayor Adler: And probably -- so the corporate cost drivers including wages could have been handled with corporate cost drivers employee wages and force increases. >> Yeah. I mean you could. We specifically did that for the police line because there's a resolution that kind of talked about that in trying to address police staffing needs. >> Mayor Adler: Got you. >> But certainly could be the same consideration for ems and civilians as well. >> Mayor Adler: Okay. Thank you. Continue on. >> Sure. Okay. So in regard to -- we're going to start off with general fund revenues. You can see on the pie chart that our current fiscal year '18 budget is $1,027,000,000. 44% comes from property taxes, 56% comes from four other sources you can see there. The one story I wanted to talk about, the reason we put those line graphs over on the right, was to show you clearly that property taxes, as a -- as a portion of the general fund revenues, has been growing. If you think about our general fund budget typically grows around 4 to 4 1/2%, just for base cost drivers, our typical insurance increases we experience, wage prices, we're typically seeing growth in the range of 4 to 4 1/2%, then there's inevitably some new initiatives that are funded, so we might see annual growth more in the range of 5% per year, on our general

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fund. If you look if you look at the three middle lines. If the development revenues go up, it is probably because activity and expenditures are going up. The three in the middle, sales tax, utility transfer, other revenue, which is largely fees charged by departments, those are clearly kind of flat. Right? You can visually see they're kind of flat. The story is those revenues are growing less than 4 to 5% per year. If the budget is growing 4 to 5% per year, I need everything to grow, the sales tax, utility fees and everything else is growing less than 4 to 5%. I talked about it in the past, but 56% of the revenues come from other sources, the property tax, flexibility we have on property tax is really important. It is a very different story for counties or school districts where close to 100% of their revenues come from property taxes. If the expenses grow 4 to 5%, if the property taxes grow 4%, you are good. It doesn't work that way for the city when 56% of the revenue are growing slower than the expenses. I'll talk more about that later. The property tax projections, this pie chart is showing where the property tax revenue is coming from. You can see 62% of it comes from residential households. Single-family or multifamily residential households. The other is from commercial land and personal property. We had our meeting with the Travis county tax assessment. It is another double digit percentage increase, which is

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what we have been seeing for many years now. As we look ahead, we're anticipating that this strong growth is going to have to have mitigate somewhat. We're projecting 8% for 2020 and 6% for years beyond that. With regards to new value. The real important number here, projecting $3 billion of new construction value for fiscal year 19. That is the cat estimate. That is a very high number. You know, traditionally that might trend in the one billion to 1.5 billion level. We're seeing the result of the cranes you see downtown is new construction values going up, new value added to the tax roll, which has a positive impact on the revenues. We're projecting continuation of strong growth, but little bit lower at 2.4 billion for the remaining years. The property tax growth, that is showing different scenarios. The gray dotted line is what it would look like at the effective tax rate. The blue line at the top is what it would look like at 8% roll back. The Orange line in the middle is a hypothetical, if in the fiscal year 2020 legislative session, if the revenue cap of 8% were lowered to 4%, then you would see that our revenue growth would be much slower by the time we get to fiscal year 2023, the difference between an 8% roll back rate calculation and a 4% roll back calculation is in the neighborhood of $74 million annually. In regard to exemptions, we usually get questions on that, I thought I would bring that to you proactively. $8,500 flat exemption for

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senior and disabled households. I won't read them all. You can see how that compared to other jurisdictions. I apologize, we are using the Austin I.S.D., they serve about 75% of our students and families, those exemptions would be different for any of the other multiple school districts that touch into Austin. I can get you that as a budget question. We're seeing nodding so we'll do that as a budget question. So what does it mean for the typical homeowner? The nonsenior -- the general homestead exemption, nonsenior under 65, saves a typical household, median homeowner $109 per year. If you are a senioror disabled homeowner, the collective of the 8% exemption and $8,500 fixed exemption saves you $487.17. That is the city's exemption. The savings from others is in addition to that. I want to focus on how much is a typical homeowner saving in regards to the implementation of a general homestead or increased with regard to the senior exemption. >> Kitchen: I have a question. >> Mayor larosiliere: -- >> Mayor Adler: Let's hold questions. >> For every 1%, in the general hem stead, we estimate a reduction in revenue for 2.4 and thousand dollar increase in the senior disabled exemption, we estimate a reduction in revenue of $160,000. That is kind of a moving target, it depends on the tax rate you all set. That is our educated estimate in terms of revenue changes based on increased exemptions. Let's move on and look at

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sales tax. What I am showing on the top graph with yellow line is what the historical sales tax has been. The five year compound growth rate is 3.5%. Look at the larger graph on the right. The linear regression is clear, it is trending down. Look to fiscal year 2019 and beyond. Projecting 2.5 percentageual growth rates in our sales tax revenue. That is what we're assuming in the forecast and also supported by the economic analysis that we asked txp to do for us, where they look at job creation and a number of other factors. They're estimating sales tax growth in the range of 3%. Of course, you know, from a policy standpoint, it is wise for us to maybe take a slightly more conservative position. Utility transfers, it is showing to be a downward trend. It is creeping up in the 4 to 5% expenditure, the revenues are creeping up, but percent of total revenue, it is creeping down. 15.1% for fiscal year 18. Based on projections for the transfers and growth in general fund. We anticipate that by fiscal year 2023, it will be down to 13.3% of the total general fund revenues. Looking at the development revenue, you can see the -- just really a historic rise in development revenues just as early as fiscal year 2010. It doesn't seem like that long ago, development revenues were below $11 million. Here we are in fiscal year 17, closed it out close to $55 million. So stunning growth in the development activities.

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You know, part of this is also moving from a tax subsidized function to a fully revenue offset function. A lot of this is through fee increases, but a lot of this has also been through the tremendous amount of development activity. We have been seeing. When we forecast this one now, we really are just forecasting the revenues at the same rate as we're forecasting the expenditures for the department. So the department currently has certain expenditure, we project that budget will grow from a base perspective. Note assuming anything about new position. The base budget will grow as a result of wages, health insurance. We're projecting the revenues will keep pace with that. Increase the fees, if we have to or through activity. Our commitment in this forecast is to maintain development services at a full cost recovery model. That we will be recovering all eligibility expenses through the fees that we set. You do see a dip from 17 to 18. That is the story I'm telling. In 17, we knew based on the tremendous development activity we're seeing we were overcollecting. We did a reset of revenues, of some of the fees in fiscal 18. That is why we're projecting that downward trend there. Final revenue slide. 143 -- I know in the pie chart, it is small, hard to read, not colorblind friendly. The biggest chart is from emergency medical services fees. That is the $40.9 million after that are franchise fees come in at 35.5 million. Mixed beverage and other taxes, mixed beverage is doing well as our tourism industry blossoms. People like to drink. That is what the mixed beverage tax is.

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Muni court fines $12 million. And you can see the other sources. The big story on this slide is departmental fees. It is to keep pace with the rising cost. Over the last five years, compound annual growth rate in the revenue of 1.9% looking into the future. We're projecting an even slower 1.3% growth. One of the reasons is we have really been seeing a downward trend on the telecommunications and cable franchise fee revenues as people continue to cut the cord, I think we need to anticipate that the revenues are going to continue to drop and we're reflecting that in our forecast, albeit over all, it is projected to grow at 1.3%. Before I leave the revenue section, I think it is an important story. I will tell it again. Other revenue 1.3. Sales tax is 2.5% growth. Utility transfer, I have to get out the calculator. I didn't put it on the slide. Probably 1% of the growth. 62% of the revenue are growing slower than the 4 to 5% range of expenditures, you need the property tax to keep the flexibility of pace with the budget growth. In five or six slides you will see what that looks like, if we go to a lower cap. All right. Move on to expenditures. >> Mayor Adler: Ok. One second. Questions now on general revenue? >> Kitchen: Ok. Slide 14, another question about the senior exemption. I can submit it as a budget question, if that is what I need to do I want to understand two things, the increase on the disabled exemption. Thank you for that number, approximately 160,000. I am trying to understand how and whether -- I'm trying to understand where we can see the numbers that will help us

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see the net to the seniors. So for example, increases in their property values and their property taxes would make tax go up. And 8500. That 487 is not net of increases. Is it possible to get the numbers now about what the net impact in savings is to a senior homeowner after accounting for increases? Or are those numbers you wouldn't have yet? >> I don't have them now. I can certainly give you the historical data. Senior tax bills, despite the fact that exemptions are growing, senior tax bills are inching up, but much slower pace than had you not done the exemption. These are the gross numbers, gross savings to a senior household relative to if they didn't have any exemption. >> Right. >> You've not been bumping them up enough to completely hold seniors at a level tex. >> Kitchen: Ok. That -- our conversation around the amount of the senior exemption is all focused on -- in previous years, is focused on what it would take to at least hold a senior whole, so the senior is not continuing to see -- feel the impacts of the increases of the property taxes. So I know we had that discussion, historically, we had that discussion in September when we have been looking at our budget I would like to have that includeds in this process with the staff to consider. So at the appropriate time,

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I'm going to ask for direction that brings us forward a budget that keeps the senior whole in the sense of whatever increases we're anticipating in the value of their home and property taxes, that we also increase their exemption so they're not feeling the impact. Because that is the whole point with seniors, they've got a fixed income. And this is a tool that allows us to help them stay in their home. So I don't know when we're -- I guess that comes later in terms of asking for budget direction. But ... >> For budget direction, yes. You are right, it typically has been a conversation the council has in budget adoption in August and September. We could run numbers now, making assumptions about property valuation growth from what we have learned from the Travis central appraisal district and some assumptions about what the tax rate might be that is ultimately adopted. We would tell you this is what it needs to increase to hold seniors harmless between fiscal year 18 and 19. What is the increase necessary. >> Kitchen: That would be helpful. My second question, I realize I didn't ask this question, so I'm going back to slide five. I apologize for that. I wanted to clarify. I understood that there was a meeting on Saturday with the commissions to explain to them their -- for the commissions to provide input for the budget process. Which were included? I think you said joint commissions, which is the joint commissions, but I'm understanding now that perhaps not all of those commissions that sit on that joint committee were included in the Saturday meeting. >> I'm glad you brought that up. I did not mean to say the joint committee, which is comprised of eight dint --

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different commissions. This is the African-American commission, hispanic, Asian American quality of life and L.G.B.T., they each elected people to serve on the joint task force, committee. Those eight people were there, lots of staff. The staff liaisons, equity office. I was there. >> Kitchen: I think that is great. I think it was an excellent thing to do. It is in line with the budget writer. It is the act we need to take. My question is simply for the other four -- not that they need to be in the same process. Not suggesting they need to be in the same process. I would like to see a process for the other four commissions to have the ability to provide input to departments. You know, around the same time line. You know, so what we had talked before about -- actually, I'm not clear on what we need to do as a council to ask that that happens. We had talked about the timing of the meeting. Can we provide direction that the other four commissions be allowed to provide their input to the departments during this time frame? What can we do? >> We're planning on doing it anyhow. We'll take that direction. Diane will be meeting with the commission on the disabled and the decision on seniors Friday the 13th. That is already happening. >> Kitchen: Ok. >> And we'll engage with all the other commission -- not all of them, I think there are 70. We'll engage with the relevant commissions on budget matters, departments. We'll certainly be reaching out to the -- I think the commission on the disabled, commission on seniors, commission on women, commission on immigrants are the four other ones, I

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believe. >> Kitchen: I think the L.G.B.T. Is one also. >> They're a part of the one we met with on may 31. >> Kitchen: They were. Ok. So does that mean -- I want to be clear. So I'm understanding and not making assumptions. Does that mean the four commissions will be provided the opportunity to give input to the departments during -- by April 16? Or maybe that is not the right time? >> May 21 is what I was suggesting. >> Kitchen: May 21. >> To the quality of life commissions. So when we meet with them on April 13, we can convey the same information to them. I think to some degree, the difference is with the budget rider, -- writer, there was the explicit direction to change in the series. With the other commissions, largely meeting with them, talking about the time line, leaving them to their own devices to go through a process of identifying what they think the priorities should be and conveying those back to city staff and city management. >> Kitchen: That is fine. I'm not asking for the same process. The point

I'm asking for is they have a deadline, they have an opportunity to submit their recommendations and the departments will look at them. So that is what I -- so the departments have direction to look at them. That is what I see as different than previous years. That is a subset. It is not the same. It is not as detailed a process for the four that were in the rider. It is a subset. That is why we have instructions to look at the recommendations, as opposed to look at them, provide feedback and incorporate as many as possible. As opposed to a piece of paper from the commission. >> The first place, the

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recommendations from the commission will land will be in the city manager's office with the executive team. They'll then get turned into explicit budget instructions to the departments, seeking budget proposals that accomplish these things. >> Kitchen: Ok. The last question then is, perhaps you could provide us just -- I can submit a budget request if you want to do it that way. Just so I make sure I understand and don't get confused about what the process is, if you could provide us in if writing what the process will be for the other four. You know, it can be in response to a question. I want to make sure I'm not misunderstanding. Would that be ok? >> That would be fine. It would be smart. But we typically put out a memo to the commissions explaining the budget time lines, how -- the best time line for them to provide input into the process. Get that out there some time later this week or next week. >> Kitchen: Thank you. >> Mayor Adler: I think that makes a lot of sense. Mr. Flannigan, then mayor pro tem. >> Tovo: When you say to the commissions, not just what she added. >> I wouldn't say all of them, some meet infrequently. Ones that are relevant to the budget conversation, the water advisory commission. >> Tovo: Early childhood commission, add in there. The recommendations they submit to us are always important and always come in too late to take into account. I continue to hear concerns, really valid concerns about what the high cost child care is. We need to address that as equity, accessibility, economic development. I hope they'll be on the list. >> We'll put them in there. Library, parks, we'll get them all. >> Kitchen: Maybe you can give us a list as part of the memo you give us back. >> Sure. >> Mayor Adler: Mr. Flannigan, then Garza.

[10:38:11 AM]

>> Flannigan: You talk about the estimated construction value. Do you know what that impact to the revenue side of the budget is? $3 billion in new construction would represent some new property tax collection? >> Doing mental math. I think the new construction. >> Mayor Adler: Can you repeat the question. >> Tovo: I missed one word. It was critical. >> Flannigan: The construction value, what does that represent in terms of tax collections. >> I will get you the exact answer, but $12 million is the mental math. >> Flannigan: When you dig into the expenses side, is there a similar relationship between the new construction and expenses? >> You won't. We're forecasting base cost drivers. This is the budget in place and what it will cost to maintain the budget we have in place. We will highlight continuing conversations, but that is what the rest of the budget process is about. How many officers do we need to add to keep pace with the people coming into the city. How many fire stations to build to

keep up with growth. That is the continuing conversations. The numbers you see today are the budget you already approved for fiscal year 18, what does that budget cost to grow into the future? What are other things to consider as we go forward in crafting that ultimate recommendation for fiscal year 19. >> Flannigan: That is what I thought your answer would be. Glad it is. Councilmember kitchen, I think it would be -- I would be willing to work with you on collaborating with the seniors commission on how to think about the senior exemption and its impact and how to make sure we're helping seniors that are renters and, you know, broaden the impact to our seniors. And imcurious, if it is possible to get some of the in to bes -- I'm mot sure which are the most valuable, some of them broken out by district. I'm not sure that seeing a net number across this entire city

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is really going to show how some parts of towns, valuations might go up faster than other parts of town. Just to make this about senior exemption as an example. If it is seen in the net increase in valuation, it might only help people in certain parts of town whose valuations changed at a rate at or lower but not above. I think it is interesting to see how it is breaking out in stead of just a single number. >> Kitchen: We have a constraint. We cannot set the property tax per part of town nor can we set it by income. >> Flannigan: Some valuations will increase slower and some increase greater. To let the public know that even we know not everybody is seeing 10%. Some are seeing more, some are seeing less. >> Kitchen: I would be happy to think of other tools -- this is a blunt instrument. Better than a percentage. With the homestead exemption all we have is a percentage. At least with seniors, there is a dollar amount. It lets us do something. It certainly doesn't -- there is certainly more things we can do for seniors that are other kinds of tools to be as part of it. I wouldn't want us to assume that people in certain parts of town don't need it as much. I'm not saying you say that, but sometimes people make those assumptions. >> Flannigan: I agree with you, the flat rate is a much better tool than the percent rate when it comes to exemptions. Not that any of the tools we are given by the legislature are great. >> Mayor Adler: Councilmember Garza. >> Garza: Slight 14, property tax exemptions. I don't know if it this is -- if somebody is going to try to

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increase it as we go into budget session, I often get a town hall or what have you, different events, why can't the city raise the homestead exemption to [indiscernible] Which I voted against, because I don't want to get into whether it is regressive or not, I believe it is regressive. I did the math. If we were to raise it, so I'm prepared for the questions as they start to come in, why I wouldn't support raising it to 20. Doing the math 2.4 million times 12 is about 28.8 million. I know you said that moves, depending on different things. And I was trying to find the pie chart from last year's budget. I couldn't. What is our parks and rec budget? >> 85 million. >> Garza: What is public health? >> Probably close to 100. A lot of the grant fund. >> Garza: I know I haven't got to the slide yet. It looks like the cost drivers with nothing else changing, cost drivers are 35 million. >> [Indiscernible]. >> Garza: So I guess the point I'm trying to make is that if we were to increase it to the 20% limit, we would be looking at -- we would be needing to find more than $60 million. That is again, no changes, no increases to any budget. Is that a right statement? >> Mayor Adler: $28 million, plus the 35. >> I would nuance it with $28 million less revenue, it is hard to balance it against $35 million increases. Not that it can't be done, but it will be a heck of a challenge. >> Garza: That is for the year at the current 8% rate for homestead exemption?

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>> The median? >> Garza: The heddian homeowner -- median homeowner savings. >> That is the median that we use for the numbers. >> Garza: It is about 160,000, it would be less. >> Pretty linear. Cut it in half. $150,000 home, about half of that, $54. >> Garza: A year. >> A year. >> Garza: Is roughly doubling that to 216 be closer to if we were to raise it to 20%, that is the savings? >> A little bit more because we're currently at >> Probably a little bit more. >> Garza: A little bit more. 16%. >> Mayor Adler: Mayor pro tem? >> Tovo: I'm sorry to backtrack. Could you tell us that number again? I think you just said 35 million, but could you also point me to what page? Oh, it's coming up. You just mentioned it to councilmember Garza so -- >> Yeah. >> Tovo: Okay. I'll wait. Thanks. >> Mayor Adler: Just real briefly, because we do want to break at noon, we want to make sure we get through thespians to these pagesto be able to do that you said it twice, so I think it's real important, especially with the governor's proposal to cap cities at 2 1/2%, or something that will effectively cap UT at that point, the reason, if I understand correctly, that impacts Austin a lot more than it would an entity like Travis county, say, which is getting awful its revenue from property taxes. So if it was capped at -- if we had a 6% cap or something like that, that would have property taxes going from 7 to 6, it wouldn't have that big of an impact in the overall budget.

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In Austin, because so much of our revenue comes from non-property tax sources, and because those are not going up close to 2 1/2%, much less 4% or 6%, we have to make up that balance. So I guess what we have in Austin, one would suppose then that our property tax rate would be significantly lower than those other cities, than -- our tax rate is low, property tax rate is low because we have these other revenue sources. If we got cap, I don't know what the city does, you know, ultimately in that. Because there's not a -- there's not a way for us to be able to do something -- we would get penalized as a city because we're getting revenue at places other than property taxes, is what that sounds like. >> Yes. Yes. And I do have a few slides to show you what a 4% dynamic might look lie. The short answer is, we would have to fundamentally change our cost structure as a city, what we do, how we do it, what cost increases are, they will have to change. That our current financial structure will not work under a 4% cap. >> Mayor Adler: Okay. And I window that out, clear, only because as I go out to community meetings, I have a lot of constituents that come up to me and they say, but look at the county. The county can -- doesn't have the same impact we're hearing on the county. Why are you saying it has a bigger impact on the city? So I think each of us really needs to understand this dynamic, as you go out into the community and talk to people, the cap hurts us and other cities that get money from other places in a dramatically different way because we're getting revenue from other sources that will -- that are just not increasing at 2 and a half or 4 or at 6%, and that's why there's this hole that is created for us, unlike other taxing jurisdictions.

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Okay? >> I will just say I think we're doing on time. I anticipated there would be a lot of conversation on the general fund. I think we'll probably get through the enterprises more expeditiously. I do just want to say before I leave this property tax exemption site, in response to councilmember Flannigan, I think that senior analysis would be a challenge. It definitely would be a special data request to tcad to get different level information on seniors. We have real good contacts in tcad but we have to also work with Williamson for your district. The last time we talked to tcad, we were getting overwhelmed with districts. We have four or five major requests ahead of you in the queue, so we could put that in the queue, but it would be a significant work probably for tcad to get us data, gis layers and all that. Just to put that out there, we're not going to pursue that unless there was direction from council because it will be a lot of work. >> Okay. In regards on to expenditures then, you can see your fiscal year budget over on the last, $1,027,000,000, how it's split up amongst traditional categories. 67% to public safety has been trending down over the last three years. It had been as high as 70. Community services, that's our parks and libraries and animal shelter, public health and neighborhood housing. That's 22%. And then 11% is essentially for everything else, including municipal court, planning and zoning, and development services, and again development services is largely revenue offset. Over on the right we wanted to revisit the general budget, you saw some of this on February 21st, looking at it through the lens of six outcomes, 67% of the general funds, programmatic expenses align with the safety outcome. Safety in your strategic plan is different than public safety as we've traditionally talked about it. Just continue to keep that in mind.

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17% to health and the environment, 6% to culture and lifelong learning, 5% to government that works, 3% to economic opportunity and affordability, and just 1% of the general fund to mobility. Doesn't mean that we only spend this tiny little bit on mobility, it just means that mobility is largely a function funded through other fees, the transportation user fee, right-of-way fees, and then of course through bond programs. So mobility is important, it's just not a general fund testified. In regards to this $35.3 million of cost drivers, first let me just say this is a low number, historically, just our cost of doing business, our annual cost drivers have trended more in the mid to upper $40 million range. So why is this number so much lower? Well, a, the labor contracts that have been approved by this body are quite a bit lower than what we've seen in past years. The percentage increases. B, the health insurance story, we're not projecting any health insurance increases for next year, fiscal year '19, that's typically our second or third largest dollar amount cost driver and this year it's zero, so that's a huge difference. Then finally, good news story on the fire overtime situation, we're projecting another $3 million decrease in fire overtime for fiscal year '19. In regards to the increases, you can see it talked about the importance of the wage assumptions, $10.9 million is what we're forecasting of increases for salaries in fiscal year '19. That encompasses the labor contracts, it encompasses the two and a half percent assumption for civilians, it encompasses all those steps and specialty pays and longevity pays for civilians. It encompasses essentially everything related to payroll, goes into that $10.9 million. $9.8 million of increases in the general funds share of all those support functions, right, the support services, 5% increase, that 10%

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increase for communications and technology management, the increases for fleet maintenance and fuel, the general fund share of all that is $9.8 million. We put $3 million, I think you're all very well aware of the municipal court issues. We are currently working with the real estate services department, working to try to find appropriate space that can be leased for the municipal court. We put a placeholder in the forecast at $3 million for that. Don't know what the final answer is going to be, but it felt like we really needed to reserve some money in this forecast for that potential move. Our accrued payroll, an accounting thing, where once every 11 years, if you look at a payroll calendar, once every 11 years there will be a 27th pay period by accounting standard, we actually need to accrue for that once every 11 years eventuality, so we added $2.8 million and that's money that gets parked aside, so when we have that 27th payroll, we've actually got money set aside to pay for it. $2.8 million in a whole variety of contractual increases will be opening up our onion creek fire station with 16 new firefighters in fiscal year '19. That's a $1.9 million annual cost. We are forecasting right now, $1.8 million increase in our economic incentive reserves until we actually get a certified tax roll, we can't really dial that number in but that's the estimated amount. $1.4 million in increases related to the body camera system and body camera maintenance. This is one of those, you know, technology issues, you know, that we implement these technology solutions, and it costs money to keep those things maintained and running. The reimbursement for visit Austin, so this was something that council last budget cycle elected to put funds in to visit Austin so that visit Austin to use some of their other funds to offset the costs, police costs, associated with the spring festival security. We are assuming that that's

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going to come back into the general fund for fiscal year '19. We're seeing an increase in a.p.d.'s terminal pay. Terminal has a bad -- this is simply when people leave the city, and historically, the last several years in the police department, we've been seeing higher retirements and thes could of those retirements, the a payout they get when they retire has been higher than what we had been projecting, so we're going to need about a $1.1 million increase in police budget to keep pace with that growth in terminal pay. The knocks box issue I mentioned earlier, there was, I think, a $300,000 expense that's happening this year that council already approved, another million dollars is projected for fiscal year '19, analyzing some positions that were added for our fabulous new central library, $600,000, and I already mentioned that reduction in the fire overtime. There was some conversation earlier about the fire overtime. Maybe I can just try to walk you through that story a little bit. In fiscal year '17, as the number of fire vacancies really had peaked, we also see overtime expenditures peaking as those seats were backfilled on an overtime basis. Fiscal year '17, council approved an additional 3 and a half million dollars to the fire overtime budget. That was a midyear amendment. As we closed out fiscal year '17, we actually came in below that. We actually came in about half that amount, so council approved three and a half million dollars, good news story, the fire department didn't end up needing it all. They turned back $1.8 million of that overtime -- of those overtime dollars. As part of putting together this year's budget, the fiscal year '18 budget, the fire department came up with this plan to redeploy some sworn people from office positions back out to the field to help mitigate those overtime costs. That resulted in a $3 million reduction in the overtime budget in fiscal year '18.

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And then as the vacancies are starting to get under control for fiscal year '19, they are projecting another $3 million decrease in their overtime expenses. So we certainly had an issue with rapidly rising overtime costs in the fire department of fiscal year '17, and we're certainly trending in the other direction currently and into fiscal year '19. So, total $35 million of cost drivers, and again, considerably lower number than what we've seen in past years. >> Mayor Adler: Why don't you go ahead and finish this section, then we'll go to questions. >> Alter: I just wanted to ask if you could provide us detailed information on the fire overtime and how those calculations are playing out, maybe in a [indiscernible] Format. >> Maybe we just log that at another budget question. We'll keep track of these and go through that process. >> Alter: Thank you. >> Here's the financial forecast on one slide. If you want it real abbreviated next year, I could just do this. This is your general fund forecast. Those blue bars on this slide project the growth in our base cost drivers. So, again, that's just what I characterize as the cost of doing business as normal. Fiscal year '18, council proposed a -- or adopted a budget, taking that budget and forecasting it into the future, we project will result in the growth shown by these blue bars. Currently, 1 billion, 27 million, $35 million of cost drivers, that's why you see a fiscal year '19 budget of 1,062,000,000, then you can see how we're forecasting growth in that base budget, existing staff levels, existing service levels, just growth in that base budget larger driven by the salary assumptions I showed you way back earlier in the presentation. That's what the blue bars are. The two lines are different revenue options. One, the Orange line we always get asked about, what do our -- what would our revenue growth look like at the effective tax rate. That's essentially a no increase tax rate.

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You still get additional revenue because of all that new construction, but the effective tax rate is supposed to -- is designed to hold existing taxpayers at a constant tax level. You can see it's clearly not enough revenue to balance our budget. The green line shows our revenue trajectory at an 8% rollback rate, the current maximum allowed under state law. For fiscal year '19, we would predict a surplus of $14.3 million. If you were to stay at the rollback rate in all those years, rollback rate has a compounding effect, so by the time you got to fiscal year 23, you would have 67 and a half million dollars of capacity that could be used to address other priorities. You wouldn't have to set a tax rate that high, but this in one slide looks like a very good financial forecast. You can absolutely keep pace with all of your existing cost drivers and you can also have some significant wiggle room to address other policy priorities that you may want to address. This, I'm calling the revenue scenario a, which assumes we're going to be able to stay at an 8% rollback rate for fiscal years 19 through '23. The next one is a revenue scenario B, which is saying everything -- everything looks the same, except that green line is gone, and now we have this red dotted line, and the red dotted line assumes that for fiscal years '19 and 20, we were to adopt a rate just to balance the budget. We're projecting a 5% increase is needed to balance the budget, relative to that 8%. In fiscal year '19, if you were to go to the tax rate needed to balance your budget, I don't have is that that percentage. Now, we're assuming if the legislature were to lower the cap from 8% to 4%, you see the revenue trajectory flattens out a little bit. By fiscal year '20 21, we've got a budget gap, again with this compounding issue, by

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the time you get to fiscal year '20 23, we'd be projecting a $42 million gap at under a 4% property tax revenue limitation. So clearly, what I'm saying, something would have to give. We would either need to change our cost structure, we'd have to cut back on the services we provide, lower employee wage increases, any number of things would have to that to close one final scenario we put together and I wanted to give council some food for thought in regards to how we might better position ourselves for the likelihood or possibility of a 4% revenue cap is what we put together in revenue scenario C. And so we're saying hypothetically council could go to the 8% rollback rate in fiscal year 19. You could again go to the rollback rate in fiscal year 20. Not spend that capacity on new programs but essentially use it to bolster your reserves. Then in fiscal year 21 if we're capped at 4% you still would have enough money to balance your budget. In fiscal year 22 you would have enough money to balance your budget. Unfortunately in fiscal year 23 it catches up to you and we would be projecting a deficit at that 4% rollback rate. If you use the savings in fiscal years 19 and 20 to bolster your reserves you would be able to address that gap, and you might be able to address a gap that's going to grow for '24 and '25. Eventually your cost structure is going to have to change. Under a 4% cap you are buying yourself five or six years to tradition the organization as opposed to having to do it in one year. I'm not trying to be dire here but the 4% cap will be a new reality for all of us. The organization will have to change. It will look differently under that kind of revenue limitation. It's been mentioned that the

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government has suggested 2.5%. I do want to say that last year in the last legislative session they have come close to lowering the cap. You had bills approved in both chambers. One at 6%, one at 4%. They couldn't compromise but the story is you had a bill come out of both chambers that would have lowered the cap, one to 6%, one to 4%. But they couldn't compromise. That's why when I'm doing this analysis there is a strong possibility that we'll see a revenue cap substantially below 8% that would go into effect for fiscal year 21. There is a possibility it could affect us in fiscal year 2020 but I think the stronger possibility is that any lower revenue cap could go into place for fiscal year '21. I do want to mention before I leave this slide that the yellow bars are showing the capacity you would have at an 8% rollback level. And so those yellow bars are really the room you have for addressing new policy priorities short of reducing other things, right? You could just reduce existing services and reallocate funds to other priorities, but if you like the budget the way it currently is and services the way they currently are and you want to keep those things, you would still have this wiggle room, the yellow pieces at the top which is what you got at an 8% rollback rate and that would fund your different policy initiatives that come forward, these things we are calling continuous conversations. The largest has to do with this five-year police staffing plan. This was a resolution passed March 22. I do have to preface this with these are preliminary. You did ask for us to get back to you by April 4. So this is us getting back to you with just the numbers. A much more detailed report on the justification for all these

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positions and the reasoning behind them is still in progress. Couldn't get that done in the two weeks we had to work on it. But this is our preliminary look at the staffing needs of the police department over five years. I will say these have not been vetted through a budget process. We realize the resource constraints and the challenges we would have in implementing something with this many positions. But this is what the police department came up with for their staffing plan, relying on the matrix study, the earlier analysis that was done in 2008, plus additional needs they are aware of related to civilian needs and in particular detectives, which weren't part of the matrix analysis. Another resolution pertaining to the construction of five new fire stations. There was recently a memorandum on that resolution that laid out every other year fire station department plan beginning in fiscal year 2020 we would stand up a new fire station and then every two years after that over a ten-year cycle we would stand up these five fire stations. That analysis projected $86.4 million in construction costs spread out over a ten-year period. Those would be funded through some type of bond issuance, either certificates of obligation, voter-approved bonds. Then the annual ongoing operating costs of running five new stations is projected at $22.6 million. There's a lot more details in the memorandum. Some of these stations would be one fire company. Some would be two fire companies. Some would have an ems unit, some would not. If you added it all up it would be $22.6 million annual ongoing. The station that we would be looking at adding in fiscal year 2020 would be $3 million. But in the range. Ems and labor negotiations

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continue. There was conversations related to resources and staffing for the host and community health paramedic programs that continue on at the work session -- I don't remember which work session, but one prior to this, council member alter brought up a desire to seek increased funding for wildfire mitigation. Council member pool brought forth to add five victim services counselors and resources at a cost of $500,000. Moving on to health and the environment, some continuing conversations there. A long-standing resolution in regards to increasing funding for Austin public health and social service contracts for us to stay pace with the thoughts behind that resolution. We would need to add $6.1 million per year over the next three years. Going back to our work sessions, council member alter brought forward a desire to see improved funding for parks and aquatics, in particular. Several resolutions related to culture and life-long learning, the music and creative ecosystem omnibus, creation of a cultural arts spaces, and then there's this continuing conversation for cultural asset mapping. We don't have numbers yet but just wanted to remind you that these are all out there and would require some degree of funding to implement. Moving on to economic opportunity and affordability. We actually have two of them. So the dollar amount I'm showing here is specific to the resolution that said you wanted to increase the calculation of the housing trust fund from 40% of city-owned property that transitioned from non-taxable to taxable. It had been 40%. Now it's 100%. To comply would be require $4.6 million of total funding. In our current budget we have

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$2 million. And we're in the forecast still reflects $2 million. In the forecast we're maintaining status quo for the most part. The budget you approved for '18 is $2 million but to comply for the resolution to go to 100% the number would be $4.6 million. In fiscal year '18 the number was $3.7 million and you approved a budget with $2 million. That $3.7 million increase to 4.6 in fy19. We are struggling with the second resolution that said not just city-owned property, we want to touch all properties. I don't have the data from Travis county or Williamson appraisal districts. We're going to get the analysis done but I mentioned earlier they are in the middle of doing all their work and getting their tax notices out. And they have multiple requests from other departments. They have told us it's in the queue. We will work on that data for you. I'm just telling you, there's challenges associated with it just in terms of a lot of manual research is necessary that they have to do. There's hundreds of thousands -- hundreds of thousands of parcels and what they're trying to do is track from one tax year to the next. And these tax years aren't just a snapshot, they continually evolve. They are trying to track one year to the next which properties went from tax exempt to taxable. You might have one parcel that got sub divided into 20 parcels so they are manually researching 20 parcels to see if they fit the criteria of your resolution. You are talking dozens if not hundreds of hours of staff work over there to get this work done, but that's what they're going to be doing as soon as they can get to it. And it surely is going to increase the number beyond $4.6 million. I at least wanted to get the $4.6 million out in front of

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you. Multiple resolutions related to homelessness. Talking about revising the chapter 380 process. Finally for government that works. We continue to talk about a much-needed human capital management system, smart cities initiatives are a 10% increase for ctm is just for base cost drivers. Anything new would be in addition to that 10% increase. Finally in regards to addressing deferred facility maintenance, we have been funding about $2 million a year for deferred facility maintenance. We have a financial policy that would call for roughly three times that amount. City hall is great, right? The rest of our city facilities, many of them need a lot of tlc and they have not been getting it. That's continued to be a conversation. That concludes the general fund. Maybe we can stop there for another round of questions. >> Mayor Adler: Any questions? >> On slide 23, just to be clear, now of course I don't know what the colors are but is it the green bar? Blue and green? >> The top is red. The bottom is Orange. >> The bars? >> The bars are blue and yellow. >> Sorry. So on this option, which is to do the 8% rollback in the next two budgets, we wouldn't be spending that area designated in yellow? >> That's right. >> That would be going into reserves to help offset the impact of future 4% rollbacks. >> Right. And also it's keeping your cost base down. If you were to spend all that '20 the cost base is up here and you have to keep pace with that. And a 4% revenue cap you can't. >> So as I flip between the slides the vertical bars are the same in all three of those slides, but it sounds like on the third one they should be different as you move into the

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future. >> Yeah, I think that's fair. Essentially you would want to take it as those yellow bars aren't there. We're going to stick to the blue bars and we would overcollect revenue in fiscal years 19 and 20 and that would put you in a good position to transition to a 4% revenue limitation. >> I understand why the chart is also drawn with a 950 baseline. It's easier to read but also from the public reading it might look like these taxes are going up disproportionately quickly. >> It would be much flatter than that, yeah. >> I wanted to look on 25 and recognizing the need that we have for the additional fire stations, which we have been working on for the last three budget cycles. Is there a way that maybe through public private partnership that we could accelerate the building of some of the fire stations? Is that something you would recommend? >> Well, accelerating -- I don't know that we could accelerate them much faster than that. And I really don't know that your operating budget could absorb that much cost that quickly. >> Because of all the staffing and equipment needs? >> Yes. But the timeline we laid out, which is pretty aggressive, right? The fiscal year 2012 bond program included the fire station, that's the 2012 bond program. We are projecting that station will open in 2019. Our current project delivery system is admittedly slower than we would like it to be. This idea of us standing up a new fire station every two years is assuming we're going to be able to get all the details of this p3 model worked out so we can streamline and get facilities built more quickly. If that gets side tracked and we're not able to make it work for fire stations the way we did for a development services center, I think that timeline is not really realistic.

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>> Is part of the timeline identifying the land, the locations? We have a rough estimate of service delivery times need to be located, but do we actually have parcels of land? >> In one or two cases we have parcels of land. In one case we own the land. One or two cases the developers said they would set land aside. But in some of the cases trying to find the appropriate amount of land and the right location can be a challenge. >> Okay. And my last question relating to fire stations, how are we doing on the facility improvements for the locker rooms? >> I believe we are wrapping up phase five, if it's not already wrapped up. Phase six is still in the design work. Phase six are these stations that are really going to require some pretty hefty renovations. So it was intentionally saved to the last. We'll get that design work done and we'll have to come back to council with most likely a large dollar amount to get those renovations done through some type of bond issuance. >> Would that be appropriate to put in the current bonds, if we're looking at facilities? >> Surely it would be, yeah. >> I don't know if the task force is looking at the locker room renovation phase six, but we can. >> Absolutely, yes. >> Thanks. >> I have a followup to the fire station thing. If other council members hadn't had a chance to read that memo, that time assumes a p3 and says if we can't do p3 then it's going to take longer than ten years. I also want to point out there's a map that shows the significant time that people are waiting now as response times, and that's now. And this timeline -- so basically in ten years we're going to have other areas of the city that need fire stations. So we're behind with these five fire stations.

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We don't know if we can do this in ten years. We're going to need probably MRE five stations just because of the response times. So I don't understand the significantly high construction costs. They just seem higher than what other cities are currently paying, so I really would like some follow up and understanding of why they are projected so high, especially in cases where we own the land already or we're being given the land. And, again, I wanted to point out that one of these fire stations -- one that's needed in my district, homeowners are going to be experiencing higher insurance -- they are getting bills for higher insurance rates already because they are outside of the best practice response time. And so it's a really big concern that families who have been pushed out to the outskirts, you know, to be able to afford -- to live where they can afford are now getting a significant increase in their insurance bills because we haven't built fire stations in a timely manner. >> On slide 19 I just wanted to ask -- that chart is very helpful to me, the one on the right. The expenditures by strategic outcome. I would like to get that by all funds. So can you provide that chart for us by all funds? >> Sure. >> Okay. Then on slide 20, I think I know what this is, and I apologize if you mentioned it, but the economic incentives reserve fund. That's what's in place right now for our current chapter 380 agreements, is that right? >> That's right. >> All right. And then on slide 24 the new

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positions. Is that the new positions for the five-year police staffing plan, should we consider this a placeholder now or are these the numbers that we're going to receive back in a memo from the police --

from APD in response to our request for a staffing plan? Or are these just straw men at the moment? >> They are stronger than straw men. We'll get that to you by today. Basically a two-week turnaround. But I think they could change some. I don't think they would go up any. They might come down as things are vetted a little bit harder, but absolutely we need to get back to you more of a little more rationale rhyme or reason what was behind these numbers. I expect that to come out in the next few weeks. >> So we can look at this as best estimate at the moment pending a final response to a request for staffing plan. >> Best estimate, but also think of it as an ideal situation. We can't fund everything in the city, so this may be the ideal situation from the police department's perspective, but realistically it's probably going to have to be something less than this. >> That's what we were requesting in terms of our staffing plan. When we asked for a staffing plan from APD, we wanted to know from their perspective, which of course we'll have to consider in light of everything else. Okay. Then the last question is slide 25. This is just more of a double check for me. I have been thinking of host, for example, and perhaps community health paramedics as under our health and environment section. I think housing is not under safety. And I view host as mostly the homeless. That's just in terms of what bucket it goes under. >> I'm sorry. Where is it now? >> Now it's under safety and I

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was thinking that we can talk about that more later. It's not as relevant for this presentation, but I was just thinking from the past conversations we have had in terms of where we put our buckets for purposes of like slide 19 when we look at our expenditures. I was thinking that the services related to people experiencing homelessness went under -- maybe I'm wrong about that, mayor pro tem. But I was thinking -- because when I look at 19 I'm just wanting to make sure I'm understanding what's in slide 19 where we have that expenditures by strategic outcome as opposed to what we have here. So maybe you could just go back and double check and clarify for me. >> This actually is a split here, particularly on this one. It kind of gets a little bit hard when you're talking about six outcomes. Do I show 80% of the cost here and 20% in health? I don't know what the split is, but largely due to ems, emergency medical services, some of these costs did map to the health outcome. It is definitely more than 50% safety, though. By the police department, was all considered to be safety related. >> All right. You know, I'll just look at this in light of this is more important for us in terms of the items as opposed to what category they are under and not feel like I have to track it back to slide 19. Okay. >> Mayor Adler: On page 19 you said the 67% in public safety used to be as high as 70%. Do you know what year that was? >> I have to go back and look. I believe it was the year you all came in is where it peaked and since this council has been in place we have been seeing that percentage come down to 67%. >> Mayor Adler: If you would let us know that, that would be helpful. And then the police staffing numbers on page 24, we also got

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numbers that talked about staffing levels back in December, and I'm going to go look at these in relation to those. Some were cumulative numbers and some were incremental numbers. The incremental ongoing costs for staffing is the addition for each year. The cumulative we would have to carry over the numbers to the left. >> It adds up to about $44 million for the sworn spes only is about $44 million annual ongoing by fiscal year 23. >> Mayor Adler: And the one-time costs, though, you would not -- those would just be adding that row up? >> That's right. >> Mayor Adler: Any further questions? Mayor pro tem and then council member alter. >> I have a couple of questions about different elements. So that's interesting about that drop in -- in the percentage of general fund use for public safety. I see -- I mention this point not to -- well, just because I think it's important for the public, especially as we invite the public in to talk about budget and budget priorities and what not, it's still true, it seems to me, that our sales tax and our property tax combined are still less than the percentage of our general fund spent on public safety, by my calculations. Our sales tax and our property tax equate to 66.1% of our general fund revenue and our public safety cost as expenditures of the general fund are 67%. So there's still property tax and sales tax together are still not completely paying for public safety. >> That's right. >> It just helps, I think, when I explain that to people, it helps explain some of the constraints we're under and we look at various our community priorities, that's one of the challenges. Let's see. Back to the affordable housing

[11:24:43 AM]

trust fund. Can you help me find what page that's on? As you look at the public properties, and I understand expanding it -- thank you for explaining some of the complications of that, but it seems to me there are some big tracts that I wonder if we are beginning to calculate, the growth being one of them. >> So the grove is part of $4.6 million. So it was all the properties that had been in there, the resolution specific out the grove. The $4.6 million estimate is 100% of the incremental value for all the properties that have traditionally been calculated for the housing trust fund plus the grove. It's all the other properties. >> So it's not -- so that 4.6 is not just 100% of city owned, it's city owned plus the grove. And I don't know of any other major state tracts that have converted or any major tracts of public land. In terms of properties that were tax exempt that are no longer tax exempt, the other ones are going to be relatively small compared to something like the grove. >> The triangle? >> That predated that resolution. We weren't capturing any properties other than city owned until that resolution. One other continuing conversation and that is the hotel occupancy tax. I don't see that on this list of continuing conversations. And I don't know if that's because we have passed a resolution saying that we want to fund historic preservation at 15% and that's why it's not on this list, but it's my assumption that -- >> No. This was a list limited to the general fund, and so there will be continuing conversations for other enterprises. We are expecting getting a report out to council, I think, in the next month at the latest, perhaps, in regards to where we

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are with that goal of getting to 15% for the fiscal year '19 budget. That has not been forgotten. >> Is that going to be on another slide here this morning? >> No. We don't have any information on that built into here as the analysis is still underway. And so we'll have to get that to you as a separate report. >> Okay. Thank you. I think I would assume that is still the expectation, given that is what the city council passed that we want to be at 15% of those funds being used for historic preservation. I hope our proposed budget, when that comes back, that it will reflect that. >> Council member alter. >> Thank you. In trying to understand slide 21, I was looking back to fiscal year '17. One of the things that I was remembering, and I have now found the slide and for anyone who wants to look back on it it's 554 from the same forecast from last year. And in that one for the first three years the green bar was right at the blue and there was no room for council initiatives. And that the forecasted amounts that were blue, which were our basic expenditures, were quite a bit lower. It seems to me this picture is also suggesting we're in a better financial picture, both in terms of what we are able to spend our money on but also in the room we might have for expenditures for council initiatives. But I'm not sure that I'm totally understanding what you would be saying is accounting for that change in fiscal picture two towards the better. If you're looking at graph 21, essentially the first three, the green line would have been at the blue. There would be no room for initiatives. And then you get sort of mid way through the yellow for the other. And, for instance, for fiscal

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year 2019-2020, it says $1,098,000,000. It was $1,000,000,073 in fiscal year 2017. I'm reading that as a positive fiscal change but I would love to understand the difference both in sort of the amount we're able to spend but also the space that's there for the fifth is that -- because that's not all explained by not having to pay increases in health care. There is the part that council member Flannigan mentioned about the $3 billion coming online. We have had other savings with the public safety contracts. What accounts for us being in this better fiscal? >> The revenues, I don't believe, have changed too much. It really is all on the expenditure side and it really is those labor cost drivers. There's such an important factor. When we look at last year's forecast we would have been forecasting 2% annual growth in the fire labor costs. And the contract that was actually approved was a quarter percent this year and zero percent next year. They are substantially below 2%. Come -- it definitely has a compounding effect. We are projecting many millions of dollars less this fiscal year for a prospective labor agreement than last forecast. Our health insurance costs look much better in the fire department where we weren't seeing a resolution when we were forecasting this time of year, we are not only seeing a resolution we are seeing the reality that fire overtime issue changing significantly. You put all those things together and it's a difference of instead of having to go to

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the rollback rate to balance, we are now projecting at the rollback rate you will have over $14 million of latitude to fund other priorities. It really is all on the labor cost side and how significantly that's changed as a result of contracts that have been approved and some other factors we have already talked about. >> Great. And not only is there more yellow, we are also spending more in the blue part too. That's also an interesting part of where that's coming out. I appreciate that clarification. I wanted to go back to the housing trust fund and mayor pro tem's comment on the grove. I understand the grove is part of the $4.6 million. I just want to make sure that we have really clear that this is moving towards construction and as part of the deal that was made in the pud there are 10 to $13 million that needs to be spent in order to get the affordable housing that we want. And that money has to be available at the time that we are going to construction or around that time, I don't know the exact date, but we do have to plan for it. They are already paying taxes on that property and that money that's coming from their taxes needs to be going into the housing trust fund so that when the time comes that we have made this deal for this development, that is going to have a huge impact on the community in a large part for that affordable housing. We have to make sure that we have the money to pay our part of that deal. And if you raid that housing trust fund from that money and that money is not there and we cannot buy that affordable housing, it's going to be a pretty bad situation that is not going to meet anyone's goals. And so I just really want to make sure that that money, even if it's only $200,000 a year right now, that is going into that trust fund. And if it's not and that other money is not, we are not going

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to be in a position to fulfill that obligation. I'm hoping that if we're not we have a backup plan with the bond or someplace else that we can make sure we have the money to pay for that housing in high opportunity area. And we just really have to make sure that we're not raiding that money every year for that. The other thing I wanted to ask for some further clarification on was the financial policy and the deferred facility maintenance. So for the most part, my understanding is we are following our financial policies. And so can you explain a little bit more about what the financial policy is saying here and what we're not doing? Am I correct in saying we're putting in $2 million but we're supposed to be putting in $6.5 million? >> Yeah. I do appreciate you saying that. We have a lot of financial policies and we're in compliance with 98% of them. This is one of the ones where we have not been able to reach compliance. It essentially looks at the annual depreciation costs of all of our city facilities and then calculates a percentage of that as being a best practice for what you should be using to address maintenance issues, and that's how we get to the $6.5 million. But we currently are only funding $2 million worth. When you go out to some of our older rec centers around older administrative buildings, some of them are in pretty tough shape. >> I'm not sure what the appropriate next step is but I would love to understand what our plan is moving forward so that not only are we in compliance with the financial policy but we are providing facilities for our community and our employees that are safe and what not. And maybe they are all safe but this sort of implies that they are not. >> The $2 million we have, a lot of it we are going to address the safety issues first. We have to keep our employees and people using those facilities safe.

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We do tend to look to bond programs. The prospective 2018 bond has a lot of dollars in it for facility maintenance. But I think this is a multipronged approach. There could be a need to have maintenance be addressed through periodic bond programs but there is a need to address deferred maintenance needs as part of our annual budget. The p3 model plays into this and getting out of certain facilities and into new facilities is another part of the longer term solution. So it's a complicated dynamic but certainly having additional dollars flow into building services to meet basic maintenance needs, you certainly start to see the improvements in our city facilities. >> So I may follow up with some budget questions. Thank you. >> Greg. >> Mayor, I concur that we need to keep on working on putting money in the trust fund and I know that many of us have been trying to keep that going year over year, and it's been helpful for things when that landlord in council member tovo's district wasn't taking care of property and we had to move people out. I do want to flag to make sure I understand properly what council member alter brought up. Maybe somebody from the legal department or housing could shoot us a note or pull us aside to make sure we have the same understanding of how the agreement on the grove works. Because it would be important for us to have the same common understanding. I recall, but now it's been a while, that we don't have to put money into it in order to pay something off retroactively, that it would be upon construction of units. Let's just double check and make sure because -- and I may very well be wrong on that point. I just want to double check to see what legal's understanding of when those units would have to be paid off and whether or

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not we have to budget for them the year beforehand or if it actually comes out of the budget the year afterwards. >> So just to clarify what I was trying to communicate was that when it is ready and when we're due to pay them, which I believe is upon construction, we have to have money to pay for them. And it's supposed to come out of the housing trust fund which now has $2 million. If we're not adding the right amount of money and taking money out of the housing trust fund, when that time comes we won't have the money. Just like other funds you have to be putting it away if you know you have a liability. >> And that's the exact question I'm asking. If something gets constructed this year, do we need to budget $200,000 this year or does it come out of our $200,000 for the next year? My recollection is we don't have to squirrel away $200,000 this year for what happens later in the year. We structured it so it gets built in the next year. I may be wrong about that but my understanding it's not something to be deliberated here, it's U.S. -- Just in a document. >> I don't see any other way unless we're putting money in the housing trust fund so at that point in time we have it. It doesn't have to be retroactively paid to them but we have to have money on hand. >> Okay. We should have that checked. >> Mayor, I have a follow up on that. I just wanted to remind everybody how we handle our economic incentive reimbursements. We allocate the money in the fiscal year in advance and then we pay it in the later fiscal year. Right now we were be encumbering funds in fiscal '18 and pay them in fiscal '19. That ensures we have the money laid out there. I don't think you guys are saying anything -- I think you're both saying the same thing. We have to know how much money is required under our agreement and the ordinance for the grove pud and we need to make sure that that money is available,

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probably in the fiscal year in advance, because we have to encumber it and then pay it once we know how much it is. So I would recommend that we look at how we handle 380 agreements and maybe apply it to this. And the point being that because of the fraught nature of that pud agreement where the residents and my office fought for more affordable housing on that site, but the developer would not budge on that issue. I want to make sure that we definitely get what little bit we got. And this is the way to do it. >> Ms. Houston. >> Thank you. Thank you for all this work you've been doing. This is going to be my bias. On page 23 if we were in fact to saddle our property taxes, homeowners and renters with an 8% rollback in two fiscal years, what would be the mechanism to keep this council or future councils from rating that capacity that we put in there so that when and if the rollback is at 4% we have operating money. What would prevent that from happening? We have seen that happen already. >> Perhaps the short answer is six of you would prevent that from happening. [Laughter] >> That not only is the short answer, that's the long answer as well. [Laughter] >> Just an observation. So it looks like we're in a better position financially now than you had forecasted we would be a year ago, given the factors. But just to point out what it's showing is there's $14 million that is unencumbered, if we were to go to the full 8% and if we were to do nothing but just increase the existing drivers in our budget forward. And $14 million, as we have already seen, given the list of

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things that we want to do, will not get us close to doing the things we have identified and that we have discussed we want to do. So, you know, I continue to join with colleagues that are trying to find additional moneys in additional places, especially ones that don't require property tax increases, which is why I remained interested in seeing the discussion coming back to the council at the end of the year with respect to the convention center after the university of Texas does that analysis, because that had at least the potential, based on the work we had seen earlier, to turn up $5 million to $10 million to help with homeless. Maybe we could do more hostings. Maybe we could do housing. Maybe that would help ensure that we had the money to do the successful model in outgoing years. It also has the potential to help us with perhaps some of the music industry funding things that are on this list that may or may not otherwise get funded. So you said that in the next month you were going to come back with a discussion about getting to 15% for historic preservation, which I support. I would like to see us be able to leverage the out of town taxpayer -- out of town visitor money as much as we can and we ought to take fullest advantage of the capacity that the state gives us, and that 15% gets us there. In the conversation we had at the council before, and it was premature because the work hadn't been done, I had expressed the concern that if we were to get there and get there too fast that we might also be compromising our ability to be able to fund homeless or the music industry. And we didn't know the answer to that, and I hope that I was absolutely wrong about that having a potential, because I

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would much rather see us be able to at least have the ability to be able to achieve all of these goals that we have. When you come back in a month to talk about how we get to the 15%, if there are choices that we would be making associated, will that also be part of the conversation? >> Yeah. It will be and that's why it's taking so long. 15% is pretty clear. We have to get to 15%, but trying to work within all these parameters the council laid out as part of giving that 15% direction, we've got financial advisers, financial analysts working on all those parameters. >> Okay. Mayor pro tem. >> Could I speak to that for a second? >> Mayor pro tem put on her buzzer for the same thing. I imagine she wants to speak to it. >> Yeah, that reminds me that we still have some outstanding questions that arose the last time we had this conversation. For example, if there's a new downtown tif there was a lot of assumptions that that money could be used on housing and smells. It looked like it could only be used for capital expenses and that raised the question of whether that had to be just shelter because there were some initial reports back from staff that transitional housing, other kinds of housing wouldn't qualify. If we're going to embrace this discussion again I want to be clear about what we can and cannot do with that expanded tif and the other 25 questions or so that got submitted at the time of that past resolution, including things like if we used hotel/motel tax for a portion of the work at the mexican-american cultural center, specifically how would that change what can happen in that -- at least that part of the site, to what extent are they then obligated to use

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that additional space for visitors versus community needs. I don't think we should wait until the convention center report back to have those conversations, because those questions are outstanding. Again, before we get too far along with the community believing -- getting in trench positions one way or the other I think we need to have the information. Secondly -- what was secondly, since we're talking about the convention center, there were discussions talking about that was not going to happen until the end of November. I think I've cleared with Mr. Canally we're still going to get that convention center report back from UT, as had been promised at the end of the summer, September. So I want to confirm that understanding, since it's arisen. Is that right, Mr. Canally? We're going to get that back? End of summer, early September? >> He's saying the draft report will be back in that timeline. >> Tovo: Great. Thank you. >> Mayor Adler: Then Leslie. >> Pool: Okay. Just to clarify, I think we've said this, but just to clarify, so, you know, the ordinance change that we voted on, voted to create the 15% fund going forward, and of course acknowledged, as we all know, that the city council has the authority to change that allocation in the future, but that was the city council changing, so my expectation would be that when we get the budget, the proposed budget for next year, that it will have 15% allocated for hot tax. Then of course we can have the discussion as a council on any kind of trade office that we might choose to make because the council can choose to adjust the budget, and that's what we wrote into that ordinance. The second thing, as the mayor pro tem have alluded to, we asked for an analysis of how we

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could get to the 15%, and we clarified in that conversation that one of those options is to fund at 15% during this year. So I think I'm hearing you say this, that you will bring us back options and discussion items that we can have, but one of those will be 15% in this year. So I think I'm understanding that correctly. >> Yeah. I think the direction is clear. >> Pool: That's good, I wanted to just double-check on the that too, because we specialist extensive time on the dais trying to drill down to the specifics that we will fund, the historic preservation portion, I think councilmember kitchen meant to say historic preservation bucket at the 15%, and then that tags into where will we find the spring festival funding. I think you talked earlier in your presentation today that that's now general revenue. >> That's what we're forecasting. >> Pool: And that would be covered. And then just to kind of scope all of this out, we have not ever taken up the single point of whether the dais wants to -- or the community wants to expand the convention center. We pulled all of the elements off of that discussion that we're kind of covering it over, and I anticipate that when we get the study from the university of Texas, that we will have some good economics underpinning that so we can have that conversation, much like I hope we'll have similar conversations should we decide to move forward with a soccer stadium. We need to have some good objective economic information for us to make those determinations. But I just wanted to just kind of put a pin in it, this council has not voted. We've talked around the issue, but never actually debated if issue of expanding the convention center to any great degree, and we certainly have

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not voted to do it. >> Mayor Adler: We had too many questions outstanding and we're trying to get answers for those questions. Anything else on the forecast? Mayor pro tem. >> Tovo: Yes. It'll bridge this discussion back to the forecast. One of the resolutions that you referred to generally here about the resolutions related to homelessness was one I brought forward asking staff to look toward and be very creative about other financial mechanisms that could yield money for homelessness. And it was -- we brought that resolution forward in the context of the conversation about how, if we expanded the convention center, then the hotels would agree to a tpid, and a portion of that could be used for homelessness. Again, in terms of trying to separate out these issues so we can make decisions based on their individual merit doesn't make sense to expand a convention center, but not necessarily have it tied to we're going to expand a convention center because it's going to generate money from the hotels who agree -- you know, that kind of complicated nexus. So I just wanted to add -- just ask the question of when we might expect a report back on that resolution, asking staff to look at other kinds of financing mechanisms for homelessness services and housing. >> I thought that there was already there, that -- so Sarah Hensley, assist city manager Sarah Hensley has been handling that -- >> There's some of that information back in the memo and more -- >> I believe the funding mechanisms was one of her reportouts to the council that talked about -- and I think Greg canally had done some work about the tourism page of the tif's being options. We talked about municipal management districts, of course voter approved bond, general fun dollars. If it's not out, I know the work's been done. >> Tovo: We did get that. I just wanted to -- so that's fully -- those are the options that we have on the table, so if we wanted to of a discussion -- to have a

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discussion about some of those, would it be appropriate to do so in the course of our budget conversations? Because some of those, I thought we have talked about but some of them we haven't really talked as a council about other than them being in the memo, like the municipal -- I've forgotten what the rest of that phrase is -- the municipal something district -- >> Municipal management district. >> Tovo: Is it possible to integrate those into our budget conversations? >> Sure. Sarah Hensley, interim assistant city manager. I will pull that memo again, get with Diane and Ed, and we'll sort of revive it and infuse it into the -- >> Tovo: That would be great. I think it would be great for us to be able to have some of those conversations during the budget about -- in conjunction with the budget. Thank you for that. >> Mayor Adler: And I'd like that, too, because I would anticipate that we're going to be asked to find another million two, at the very least, for the pay for success model, and at that point, it'll be begging the question, potentially, where can we find money to be able to do that. >> Okay. >> Mayor Adler: Councilmember alter? >> Alter: I would just like to ask for clarification, and this may have to be in executive session with legal. What is underlying the rationale for removing the reimbursement from visit Austin to the spring festival security? >> That was our take-away from the conversation council had last year, that you wanted to put that -- you wanted to ask of visit Austin, for this one year to take money away from some other revenue sources to help offset that general fund obligation, but we certainly could take direction from council that your intent was for that to be a continuing item. >> Alter: I think the intent was to find a way to have the 1.2 million not come out of the general fund. And so if that is the only way we can do it, then I think it was an intention to do it. >> Okay. >> Mayor Adler: Okay. Ed? >> Okay.

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So we're a tad behind schedule. We have nine enterprise slides. I think we can probably go through those 10-15 minutes. I might offer that maybe you could do your questions related to the enterprises as budget questions, and we could respond in writing. I would like to still keep us on track as much as possible with our $1 o'clock start time at the new central library. Maybe we could push it to 1:15 so people aren't rushed at lunch. But I do think we can get through the enterprise slides in about 10 to 15 minutes. There's only nine of them. I wanted to mention it was fiscal year '15, the budget -- when you took over the budget public safety was 69.6% of the total budget. You're now at 67%. $2.06% might not seem like a huge shift but on a billion-dollar budget that's about a $26 million swing just to get that percentage change. I'll turn it over to Diane. >> Deputy budget officer. I promise to keep it brief. Basically, we've got nine enterprise departments and the forecast for them looks very positive. The only base rate increase that we're looking at for fy19 is the transportation user fee and that will be about $1.37 per month. And there are no significant -- there are no financial issues on the horizon. Austin energy continues its replenishment of its reserves that it used prior to the last rate increase and they project they're going to be in full compliance with the financial policies by 2022 and all other enterprise departments are in compliance with financial policies and reserve policies. In aggregate, we are projecting a need for an additional $300 positions $300 positionsfor five years over these departments, predominantly just to keep pace with growth. Moving on to Austin energy, we're projecting that its

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operating budget is going to increase by $200 million in the next five years, about an average of $40 million per year. That is just to keep pace with growth. They're projecting a need for ten new positions each year of the five-year horizon, and that is customer growth, and to continue the transition of temporaries into permanent positions. So to keep in compliance with the plan to do a base rate increase every five years, they're projecting to need another rate increase in fy 22 that will require a rate review be done in 2021. Despite that, they still project that they're going to be within the $2% affordability goal. And for their cip, it's a billion dollars of spending over the next five years. This is just for the general maintenance of their infrastructure. Three notable projects are that they're going to be doing a third chiller in the downtown area, adding about $5,000 to 10,000 gallons of which I would water capacity. Also a chiller at ACC in the highland campus, and a substation for bluff springs. Austin water is projecting that it's going to increase its budget by $43.5 million through the forecast horizon. That's shown on the double purple line at the top of the graph. For fy19, though, they're projecting a decrease of $18.7 million. And that is driven mostly by the fact that they don't have to pay their debt services much. They've been actively diffusing their debt, paying less debt, and the result of that is that they're spending less on their debt service. In addition, they're transferring less to their

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revenue stability reserve fund and slightly less to their capital projects as well. They are projecting the need for 24 new positions over five years with 15 of those coming in fy19. Again, similar story, it's just to keep up with the customer base growth. And they do not project a rate increase for fy19. However, they're expecting that if fy20 and fy -- sorry -- fy 21 and fy 23, they're going to start needing small with base rate increases. Their capital spending for the five years is just under one billion dollars at $910 million. And, again, they are just doing this to maintain the existing infrastructure. So aviation, aviation continues to see record growth. They've had 40% passenger growth over the last five years. They're projecting that passenger growth will continue at a $5% annual growth for the next five years. 2017 marked the 8th executive year that they had record passenger growth. I think it was 18-point -- 13.8 million passengers that year. And both operating and capital budgets reflect that growth. They're projecting the need for 86 new people, new staff members over the five years, to keep pace with that growth. They're also planning on completing the terminal expansion in fy19, and right on the heels of that, you can see through their cip spending graph, they're expecting to have additional -- additional expansion at the terminals. So Austin resource recovery is one of the few places in the forecast where we're going to see an expansion of the programs. They're projecting a need for 61 new ftes over the

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five years. 25 of those are to keep up with growth and to address vehicle routing. But nine of them will be for fully implementing the curb side composting by 2020 and also another 27 positions to implement weekly recycling. In the forecast we put it in fiscal year 2021. However, their timeline is really uncertain and they picked the midpoint in the forecast just to give visibility to the project. They are not projecting any need for a base rate increase or clean community fees in fy19, but they are projecting a need for increases for the following three years. Watershed projection -- watershed protection is forecasting moderate operating growth of $15 million increase over the five years, and their new investments of $5.5 million fy19 will be to cover the new positions. They're recommending 48 new positions, 26 of those to replace temporary positions in key areas, and 22 to meet the growing demand for services. Again, they don't expect an increase in the drainage utility fee in fy19. They do expect to need an increase in the following years. Drainage has a higher than anticipated ending balance in their fund balance, so we're going to be able to draw that down for '19, and, therefore, mitigate the need for a rate increase. Drainage is also expecting an uptick in their capital spending in fy20, and that's because right now they have a lot of capital projects that are in the design and preliminary phase, and in fy20, they'll start hitting

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construction. Public works is projecting an increase of $4% per year over the forecast. There are $11 million in new investments to cover 33 new positions that they're projecting to need. Most of that is to cover the capital delivery program. They're having -- they're experiencing larger capital delivery programs with Austin water, Austin transportation, and aviation. They're projecting an increase in the transportation user fee of 75 cents per month. They're also projecting that they're going to need an increase throughout the remaining forecast period. The middle bar is their capital spending, they're projecting to spend just under $150 million over the course of the five years, and you can see that the spending is dropping as they're -- as they're depleting all the bond funds that they received. Like public works, transportation is also projecting an increase in its operating budget of four percent for the course of the year, for the course of the forecast horizon, and a need for 29 new positions to keep up with workload growth. Also like public works, they're expecting to increase the transportation user fee in fy 2019 by 62 cents. Their projection for capital spending in fy 22 and 23 is growing dramatically. That is a result of the corridor -- the capital corridor programs and the 2016 mobility bonds. Austin code has a very stable three and a half percent growth over the next five years. Their only increase that they're asking for or that they're projecting a need

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for is six ftes over the five years, one of those being in fy19. They don't project any increase needed for the clean fees. Our last enterprise department for the today is for the hotel -- the convention center. Discussion was already had about the hotel occupancy tax. Basically, in 2013, hotel occupancy tax receipts grew by 20%. That was followed by two years of double digit growth, but it also was the beginning of a five-year downward cycle, a downward trend for the hotel occupancy tax. So we can see that leveling off in fy18 and fy19. In fy18, we don't expect the budget -- we don't expect receipts to actually exceed the budget and we're projecting a one percent growth in hotel occupancy tax for the next five years. Convention center is also not projecting a large operating growth at only two percent. They're requesting -- they're forecasting the need for $4.25 positions in fy19 and no positions in the outyears. Their capital projects are expected to end in fy19 and that's their parking facility for the -- the elevator in the parking facility and their rigging systems. But then they're also doing, in fy20, they'll be doing the marshalling and warehouse projects. >> I wanted to program this forecast presentation up with rates and fees. This is always one of the big take-aways for council and I think it's mostly a good news story, not 100% good news story, but we have three of our enterprises projecting a zero rate increase for fiscal year

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'19. In Austin water, they're actually projecting a slight reduction in their monthly dollar charge for water bills based upon the rate reduction that council recently approved. No base rate increase projected for Austin energy, but we are expecting some increase rate pressures as a result of passthrough costs. Diane mentioned, I think, a combined 62 positions are being projected by our public works and transportation department. That's putting upward pressure on the transportation user fee of $1.37. In regards to the property tax bill on that median home value of just more than $303,000, assuming a tax rate of roughly five percent increase, which is what we're projecting will be needed to balance our base cost drivers, you'd be looking at a tax bill impact of $5.43 per month for that typical homeowner. In total, $7.33 increase, which is $2.02%, which compares very favorably to the previous five years where we've been averaging a $3.06% increase in this metric. So that concludes our forecast. I do just want to end with a comment that this is a forecast. It sometimes might look like a budget because it's got so many dollar signs and numbers in it, but it is absolutely only a forecast. A lot of conversations still to be had as we progress towards developing a budget, and what you see in August may well look quite a bit different than this once we get your feedback this afternoon, and then continuing through the budget process, we anticipate getting additional feedback from you. So, again, forecast, not budget, what you see in August may look a lot different than this. >> Mayor Adler: Okay. Councilmember pool. >> Pool: Let's see, I just have a couple quick questions. On the fee schedule, could question get an assessment of how the changes to the parkland dedication fee have performed since we did that in early calendar year 2016?

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>> We'll do that as a budget question. >> Pool: Great. Then on the Austin convention center, do we know how many new hotel rooms have been built in the last calendar year? Fiscal year? A number of new hotels have opened downtown. >> Yeah. Yeah. I go "A lot" is maybe not specific enough. We'll get you the actual number, but I think it's roughly "A lot." >> Pool: Yeah. I think it's -- so then my follow-on on that is, are we including that calculation in the revenue estimates for the convention center? >> We are. It's still a challenge because the capacity equation, are all these new rooms just raiding room nights from other places so capacity overall is coming down, are we going to -- that's a dynamic that sometimes, until you actually have seen them under operation a year, you might not know the answer to. But we can get you the room night information and it is part of the forecast, but with that caveat of we don't know 100% how much of it's going to just be people staying in a new hotel, as opposed to an older hotel, as opposed to new people coming to fill those rooms. >> Pool: We can determine whether there's a fall-off on hotel rooms on north 35 or -- >> Yes. Forecasting, it's hard. A year later we can say with certainty what happened. >> Pool: Maybe that would be more of a budget question but I think that would be useful. I know the convention center had staffed up in order to accommodate a big industry-wide conference that they had, I think it was in January of last year. >> Yeah, the super bowl of conferences, I think -- >> Pool: Yeah. There was some fancy name attached to it. So my understanding was that that spiked the budget for the convention center, but they acknowledged that that was not a repeat. But I think I'm hearing them talking about laying off people as if that is somehow a result of us taking the 15% to put it in the historic preservation bucket. So I want to make sure that we separate out these two issues and that if the drop-off in their staff --

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staffing levels -- how much of that is related to the expected and -- how much is relate to the industry conference they had last year. So we can keep those separate and not get a little bit side-tracked over what the actual need is at the conference -- at the convention center. Thanks. >> Mayor Adler: Councilm embe R Garza. We're trying to highlight budget questions as best we can to save as much time as we can, to get as close to starting at 1:00 as we can. Councilmember Garza? >> Garza: I'm sorry if I missed this, but is the transportation user fee the one that residents can opt out of once they turn 65? And I know -- >> Yes. >> Garza: And I don't know what the answer to this was, I know there was discussion on trying to find a way to where they didn't have to, like -- it would -- somehow, there would be -- they would automatically stop having to pay it at 65. So I don't know if that could be a budget question, if that could be the case. The other question budgetwise -- it's fine if the answer comes later -- is there anything, like state -- like law or whatever, that prohibits us from extending that exemption to other people? For example, if one wanted to incentivize you not to have a car, but instead get on the bus, is that just a policy decision by council? >> I don't -- obviously, it's a question for law. I'm not aware of anything in state law that would prohibit you from doing that. >> Garza: Okay. Thanks. >> Mayor Adler: Okay. Councilmember alter. >> Alter: Thank you. I just wanted to echo that I also would love to know the impact of the additional hotel occupancy on the hot tax vacancy, how that's playing out. I think that I meted to just I met -- wanted to just first of all say I appreciated the format here. I found it very helpful to read that in this way.

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I was wondering why -- and this can be a budget question -- I'm wondering why we need to have weekly recycling when you can always get an extra cart for recycling. It's great that people are recycling so much, but I'm just wondering if that's an expense that we need to incur, and again we can do that in a budget question. And I also just wanted to flag that the questions I asked earlier, I would appreciate it to be put in your process that you initiate, and if you have questions for me to clarify, I'd be happy to -- >> We are tracking those. Ms. Houston. >> Kitchen: Okay. I would like to ask a couple of questions. So on the -- and you can tell me if it's a budget question or where to look in the backup, but I would like some more detail about the cost drivers for the enterprise funds. And I'd like to know where I can see that because as part of the forecast -- the enterprise funds are important, I think, as part of the forecast, as well as the general fund. And I want to let councilmember Garza know that the tif also allows exemption right now for people that are not -- I don't remember exactly how it's worded. It's not just seniors, it's also those that don't use a car. So that may need clarification, but there is something in there for that. So, anyway, I'd like to know where I could see more detail about cost trackers. >> We can provide that to you. >> Kitchen: Okay. >> It's largely going to be along the lines of a general fund thing, wages and health insurance, but we can get that for you for each of the enterprises that reconciles to the aggregate numbers shown here. >> Kitchen: Yeah. I really appreciated the detail that we got with the general fund in terms of what the cost drivers were, and also what you included at the end in terms of outstanding discussions. I would like the same level

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of detail for the enterprise funds. That would be very helpful for us. I realize that they're probably not as long a list, but we have passed some resolutions relating to how we're -- how we're allocating funds and spending funds within these enterprise funds. And I would like that kind of detail too. >> Councilmember kitchen, in the backup you have -- not that one, but I'm going back to your first question -- >> Kitchen: Oh, okay. >> There is additional information on the general fund and all of the enterprise departments that we talked about, and it's about a 23-page report. >> Kitchen: Okay. >> It has a lot more detail than what we went through. . >> Kitchen: Okay. What I want to know is the cost drivers. Sounds like that may be in there. >> Yeah. >> Kitchen: I also want to know the list of resolutions that are ongoing discussions that relate to the enterprise funds. So that would be helpful also. And then a related question, we haven't talked today about the cip, so for the -- I mean, there's cips for the enterprise funds but also for some areas of our general fund. So when and how do we see what that is, or where is that? The projections in the forecast regarding cips? Or is that just picking up from what we adopted last year? >> Diane can give you a very high level of cips for the enterprise departments, which is where the bulk of the the dollars come out of. >> Kitchen: You can just tell me where to read it, that's fine. >> The backup will have more details on the cip side of things. For the general fund, it's largely about the bond programs and we did have information in here on that. We can provide you something, I think, in regards to what the projections are for our various bond programs. >> Kitchen: Well, from my perspective, the cip is part of our forecast and I'd just like to see the detail and what's forecasted for our

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various cip programs. Okay? Does that make sense? >> It does. >> Kitchen: Okay. Then finally, on 35 and 36, where we're -- well, actually -- yeah, 35 and 36, related to transportation and public works, the new positions, are those -- are those -- what I'm wanting to understand is to what extent they're related to the bond program, the mobility bond program. And to what extent those need to come out of our funds, as opposed to the actual bond proceeds. >> So I think a lot of the positions in public works are related to the capital program overall. >> Kitchen: Uh-huh. >> I believe the positions they needed for the corridor program -- >> Kitchen: Yeah. >> -- Those have already come forward to council, but if you look at what's happening at the airport, our public works department is really ramping up their cip. >> Kitchen: Okay. >> It's those kinds of things where they're really struggling to keep up with the workload. >> Kitchen: Okay. Does the airport pay for the cost? >> They do. >> Kitchen: So the additional ftes that we have in public works that are attributable to airport projects were paid for out of the airport fund? >> Or whatever capital -- these project managers working on capital project delivery will be getting reimbursed from the projects they're working on. It's not something that gets loaded into the transportation user fee. >> Kitchen: Okay. I just wanted to make sure that if we add an fte to public works and we need that fte for purposes of one of our enterprise funds, that the total cost of that fte is covered by the Philippines fund. Theenterprise fund. >> It is. >> Kitchen: What about ongoing? Are those temporary employees? >> They're permanent employees. We have to scale that operation. I think we've seen maybe three years ago, we were reducing the size, we didn't lay anybody off, but we had vacancies so we reduced the size of that operation. But now with all the work at the airport and corridor program and lots of things happening, they're having to ramp it back up. It's ebb and flow, depending on the size of the capital program. >> Kitchen: Okay.

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Thank you. >> Mayor Adler: Ms. Houston. >> Houston: I want to thank my colleagues for really paying attention to the needs of seniors. I thought we had a pretty good option here where people could opt out of the transportation user fee, because as a senior who used to be able to opt out and did opt out, I now drive more than I have in the last 15 years, and I can't get back in. So I think when we make some assumptions about seniors and not using the highways and the streets, that they are sometimes erroneous. I would love to pay the transportation user fee again because I'm using the streets and I should contribute. So we should not just make a carte Blanche kind of thing, where we say all seniors don't have to pay the fee, they should have that choice, like I have a choice. >> Mayor Adler: All right. I think that's all we have. So it is 12:18. We're called at $1 o'clock. Are we still okay with one o'clock or do we want to do 1:15? Let's see if we can start at one o'clock. This meeting is adjourned.